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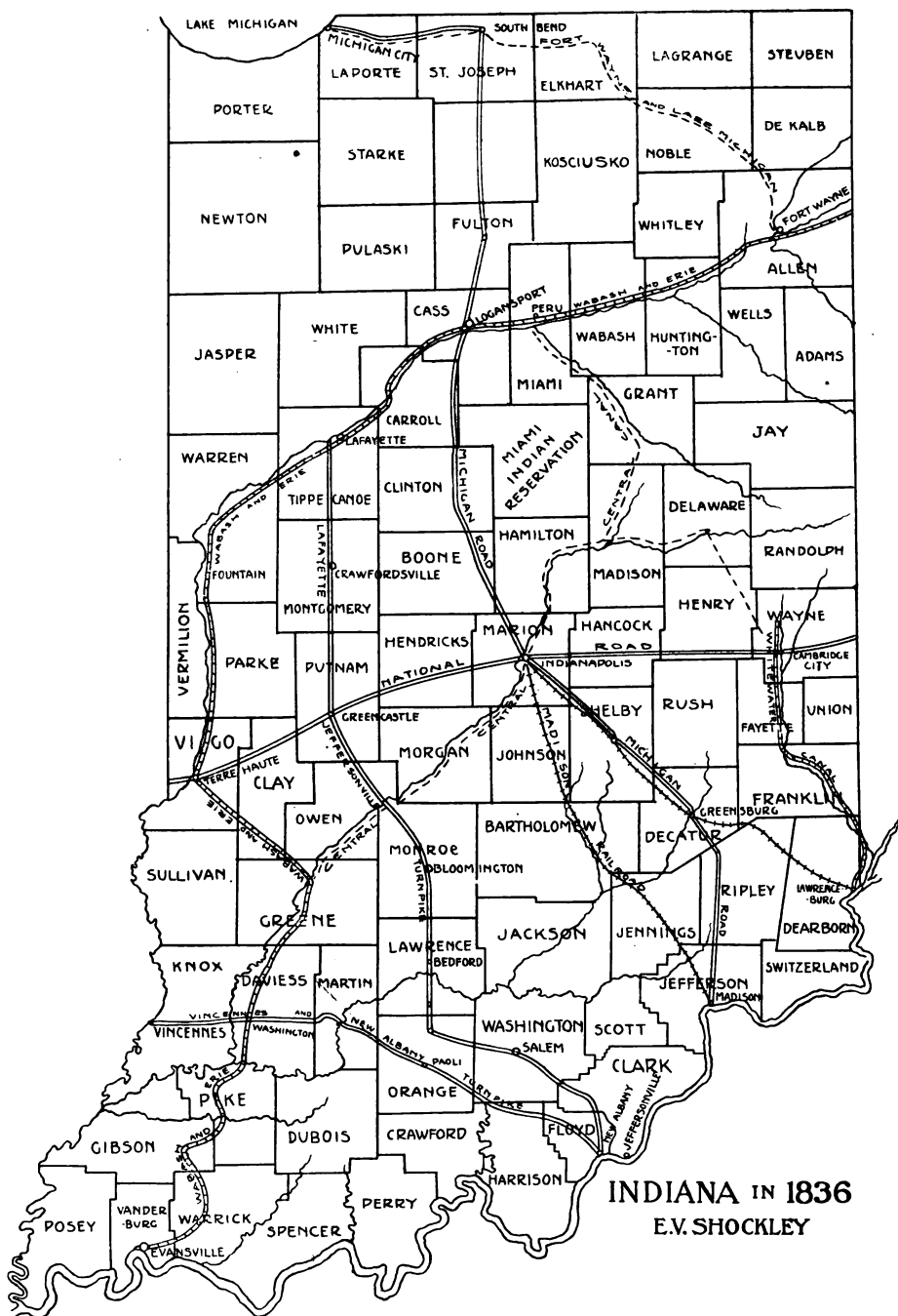


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INDIANA HISTORICAL SOCIETY PUBLICATIONS

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INTERNAL IMPROVEMENTS

IN

EARLY INDIANA

BY

LOGAN ESAREY, A. M.

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PREFACE

The following paper was prepared while the writer was teaching at Vincennes. The materials from which it is written were collected at Vincennes, Indianapolis, Ft. Wayne, and various other places. The chief sources were the legislative records, consisting of the *Laws of Indiana*, the *Senate Journal*, the *House Journal*, and the *Documentary Journal*. These have been supplemented by the newspapers, the most valuable of which were the *Western Sun*, the *Indianapolis Journal*, and the *Indianapolis Sentinel*. The writer was not permitted to use the *Madison Courier*, which has since been acquired by the State Library. The official reports of the various agents, engineers, and boards have been used in all cases. Secondary materials, such as county histories, biographies, and memoirs, have been examined, but their unconfirmed statements have not been used.

The subject is much too large for this limited paper. In the effort to reduce it to the required length the paper has been made more sketchy than otherwise would have been necessary.

This study of Indiana history was begun at the suggestion of Dr. James A. Woodburn, and it has been continued under his direction. Dr. Samuel B. Harding has improved the paper with kindly suggestions, and, if it has any formal excellence, it is largely due to his patient criticism. Ernest V. Shockley, a fellow-student with the writer in the History Seminary of Indiana University, and an authority on the historical geography of the State, prepared the map. It is scarcely necessary to mention the kindness and attention shown by the State Librarian and his assistants. That is their business, and they do it with courtesy not always found among public officials.

INTERNAL IMPROVEMENTS IN EARLY INDIANA

I.

INTRODUCTION.

§1. ECONOMIC SITUATION IN THE UNITED STATES, 1816-'20.

After the Napoleonic Wars had ceased and European trade had settled back into its customary channels, it became necessary for the American people living along the Atlantic seaboard to find a new field for the capital and labor that had been employed in maritime commerce. Everything pointed to the West as the new field. Soon the waves of emigration, that Burke had seen in vision lapping over the crests of the Alleghenies, grew into a deluge that swept down the western valleys, overwhelming the wild animals, the Indians, and the primeval forest. This was no ordinary movement of population. It was almost a national migration to this American "hinterland." We are accustomed to think of these pioneers as moving along four routes: up the Hudson and Mohawk rivers, across Pennsylvania, through Cumberland Gap, and along the Wilderness Way. This is true in general, but it is not an adequate picture. They came by all roads and by every means of conveyance.

The great obstacle in the road to this western world was the Allegheny mountains. In the first era of internal improvements it was the problem of surmounting the Alleghenies that had to be solved. There were many attractions beyond these mountains. For the laborer, there was free land, a chance to become wealthy, and to win for himself

and family a prominent place in a society truly democratic. For the small farmer of the East, on his little soil-worn farm, there was a Land of Goshen where he could acquire a section for a trifling price. For the Eastern manufacturer, there was a numerous and rapidly growing people needing farming implements, household goods, and clothing, and able to pay for them with their bountiful harvests. For the younger sons of the Southern aristocracy, too poor to own a plantation and too proud to work among slaves, there was a place where their political training would avail them, and where manual labor was not incompatible with the highest dignity. Corn could be bought on the prairies for fifteen cents a bushel; but it cost fifty cents in freight to get it to New York. On all such bulky materials the cost of transportation was prohibitive. If a road was to be built across the mountains, the means must be found in the East; there was no capital in the West. In the East there was both a political and a commercial necessity for a road.

Experience in the War of 1812 had awakened the nation to a realization of the fact that no adequate defense of the West could be maintained with existing means of transportation. Moreover, there had been mutterings of discontent and even of secession in the West ever since the Revolution. The only way to stop this discontent was to unite the two parts of the country more closely in interstate commerce. The federal government had power to establish post roads, regular interstate trade, and promote the general welfare. Under these conditions it undertook to construct the National Road from Washington to St. Louis. Had the government held to this policy and spent in constructing roads the money so recklessly misspent on rivers, harbors, and canals, we might now have forty or fifty of these beautiful highways radiating from the capital. No money expended by the nation has brought back larger re-

turn in "general welfare" than that spent on the National Road.

The commercial significance of a good road over the mountains was perceived at once by the trade centers of the seaboard. The city that should be made its eastern terminus would become the metropolis of the republic. New York attempted to reach the West by way of the Hudson river-Mohawk valley; Philadelphia attempted to reach the Ohio river at Pittsburg; Baltimore attempted to reach the same river by the Braddock Road. In proportion as these cities succeeded in these undertakings their commerce flourished. New York reached the Great Lakes by the Erie Canal, and from that day she has had no rival for the commerce of that region. Philadelphia and Baltimore, by less advantageous routes, reached the Ohio, and had to wage a losing contest with New Orleans for the trade of the Ohio valley.

After these thoroughfares were completed across the mountains, it was necessary to develop local transportation facilities in the Western States. The pioneers hoped this would be done by the federal government. This hope was encouraged by Jefferson's second inaugural, by Gallatin's famous report on canals, and even by the messages of Madison. These fathers of the Republican party had all gone on record as favoring canals. But the party of Jefferson ultimately found it inconsistent with its politics to construct internal improvements on government account. Nevertheless it did not hesitate to aid the States with lavish land grants. It seemed that the continued prosperity of the rising West depended on better transportation facilities. All the States—East and West—were earnestly engaged on this problem from 1820 to 1830. The States also found ready money in London and Amsterdam, and State bonds to the amount of \$225,000,000 found their way to these money

centers. In the following paper it is attempted to show the part that Indiana, following the lead of Pennsylvania and New York, played in this second era. Her experience was similar to that of Ohio, Michigan, and Illinois. Aside from this nation-wide movement, the story has little significance. As a chapter in a larger history it will, it is hoped, throw some light on the great political struggle between the Whigs and the Democrats over internal improvements.

§2. CONDITIONS OF TRAVEL IN EARLY INDIANA.

When Indiana was admitted into the Union it contained about 65,000 people. These lived chiefly in the Whitewater valley, on the lower Wabash, and along the Ohio river hills. As a compromise to these widely separated pioneers, Corydon was chosen to be the seat of the State government.

The problem of travel was a serious one, and was not liable to be overlooked by legislators who had made the trip to Corydon. From the Wabash country, they doubtless came on horseback over the Vincennes-Ohio Falls trail, which led through Mt. Pleasant, Paoli, and Fredericksburg. From the Whitewater, they traveled down the Ohio river, stopping at New Albany, or coming on down to Evans Landing or Leavenworth, and thence by trail to the capital.

The inconvenience of the location was manifest, and a commission was appointed in 1820 to locate a site for a capital near the center of the State. Congress had already donated four sections of land for this purpose, and by 1825 Indianapolis was a hustling village of several hundred inhabitants. A newspaper had appeared as early as 1823, before the brush was cleared from the streets. If the problem of transportation had been insistent at Corydon, it became all-absorbing at Indianapolis.

There were several well-defined lines of travel leading into the interior of Indiana at this time, each in a measure

used by a distinct stream of immigrants. From Kentucky, Virginia, and the Carolinas, they came to Madison and Louisville. From Madison, a stage line was early established to the east fork of White river, or Driftwood creek, crossing at the mouth of Flat Rock. From Louisville, Jeffersonville, and New Albany two routes led to the interior; one by Salem, Bono, Bedford, and Bloomington to the Wabash at Lafayette; the other, as already mentioned, led by Greenville, Fredericksburg, Paoli, Mt. Pleasant, and Maysville to the Wabash at Vincennes.

The southern part of the State was settled largely by emigrants from the Southern States. Along the Whitewater were many Ohioans, Pennsylvanians, Yankees, and North Carolina Quakers, who had come by the National Road or by way of the Ohio river to Cincinnati. The Whitewater valley found its commercial base in Cincinnati. Among them, however, even at this time, were many Quakers and Moravians, driven from the South by hatred of slavery. In fact, the large majority of the early settlers who crossed the Ohio river at this period did so on account of slavery—too proud to work among slaves, too poor to own a plantation.

One can scarcely realize the condition of Indiana in 1825. There was no railroad, no canal, no pike. All her rivers except the Ohio were obstructed by fallen trees, ripples, and bars. Two stage lines led to Indianapolis, one from Madison, the other from Centerville. The service was bad, roads frequently impassable, and stages usually late.

II.

EARLY ATTEMPTS TO BUILD TRANSPORTATION ROUTES, 1816-1827.

§1. STATE ROADS AND THE THREE PER CENT. FUND.

Two schemes for carrying on internal traffic were early taken up by the Indiana government. The earliest was the building of State roads with the three per cent. fund. Congress had set aside five per cent. of the net proceeds of lands sold in Indiana for road building. Three per cent. of this was placed at the disposal of the Legislature, and was always known as the three per cent. fund. In 1818 Christopher Harrison was appointed agent of this fund.¹ He was succeeded in 1826 by B. I. Blythe,² of Indianapolis, who gave place to N. B. Palmer³ in 1835 or '36. This agent received the money from the United States and paid it out, according to appropriation by the State Legislature, to the county agent. The county agent used it in opening roads through the forest. These roads were one hundred feet wide, but the money was not sufficient to do more than clear them of timber. Until the country was settled more thickly and there were consequently more "hands" to work the roads, these were little more than bridle paths. Yet much of the time of the Legislature from 1818 to 1840 was occupied in authorizing these roads and distributing the three

¹ Harrison came of an aristocratic, slaveholding, Maryland family. He was a merchant for many years at Salem, Indiana; held office of Lieutenant-Governor; and was the active member of the commission that laid off the site of Indianapolis. He died in Maryland in 1863. He was never married.

² Blythe was clerk of the commission that laid off the town site for Indianapolis, where he made his home. He was Auditor of State, 1828-'29.

³ Mr. Palmer was a leading Democrat of Indiana from 1830 to 1850. His home was Indianapolis. He was State Treasurer, 1835-'41. He made the race for Congress in Indianapolis district, but was defeated by Judge David Wallace.

per cent. fund. In 1821, \$10,000 was appropriated. The fund was usually overdrawn; nevertheless it was a great aid to the pioneers, most of whom earned money working on the roads at \$1.50 per day to pay their annual taxes. All told, over one-half million dollars was received by the State for this purpose.

Various fanciful schemes were discussed by the Legislature from time to time for disposing of this fund. In the session of 1834 J. R. Mendenhall, of Union county, proposed to anticipate it to the amount of \$15,000 for each county to build pikes with.⁴ But on the whole the fund was loyally used.

§2. THE NATIONAL ROAD.

Though not strictly within the field of this paper, a short sketch of the National Road is properly included in a discussion of the internal improvement system of Indiana. As early as 1802 the subject of a national road had occupied Congress, and in the bill admitting Ohio five per cent. of the proceeds of the public land sales in that State was set aside as a fund for building roads by which emigrants might reach the West. Four years later, a bill passed Congress for a survey of a road from Cumberland, Maryland, to the Ohio. The route follows the old Braddock trail nearly to the battleground, and then turns to the west, striking the Ohio at Wheeling.⁵

It is not usually realized by Americans that this is the greatest wagon road in the world. It was surveyed eighty

⁴ *Journal of the House of Representatives*, 1834, p. 59. This document, together with the *Journal of the Senate* and the *Documentary Journal*, forms the principal sources for this paper. There are some inaccuracies in the dating of these, but I have invariably dated the references in this paper according to the year in which the Assembly met. Thus *House Journal*, 1835, is for the session beginning in December, 1835, and ending in 1836.

⁵ Schaff, *History of Etna and Kirkersville*, p. 61, seq.

feet in width, the timber was then grubbed and the ground graded. Culverts and bridges were built of cut stone, and at last a track in the center, thirty to forty feet wide, was macadamized with ten inches of stone. Two six-horse teams could race abreast on this road. In 1818 it reached Wheeling, in 1833 Columbus, Ohio, and in 1852 Vandalia, Illinois. During its building it was the chief event in Ohio and Indiana. The author and promotor of this road was the Swiss, Gallatin, Jefferson's Secretary of the Treasury. Jefferson favored the project, but was so tender on the States' rights theory that, before work could begin, permission had to be secured from the sovereign States of Maryland, Virginia, and Pennsylvania.

From six to twelve independent stage lines ran on this road, and a score of companies were in the transportation business. The schedule of the stage was thirty hours from Washington to Wheeling, forty-five hours to Columbus, sixty hours to Indianapolis, and seventy-five hours to Vandalia. Only thoroughbred Virginia horses were used on the best lines, and the sound of the bugle was as certain an indication of the time of day as the passing of passenger trains on the railroads at the present time. The coachman was a man of consequence along the route, almost an idol for the boys. To see him dash up to a post, throw the lines to the stable boys, tell the latest news from the East while teams were changing, then break away at a fifteen-mile clip, was enough to attract all the youngsters for a mile or two. The driver usually courted this admiration, and never missed a chance to take a boy on the seat with him—a favor the boy paid for with apples and cider, and remembered with pride during the rest of his life. A guild of wagoners soon grew up in the freight business. These men were well known from Baltimore to Columbus and thoroughly reliable.

Thirty-four different acts of Congress show how important the road was in a public way. Its cost was \$6,824,919, but it was never completed. It was surveyed and opened to Vandalia and St. Louis, but never macadamized beyond the western boundary of Indiana. Congress did not overestimate its value. It was a powerful agent for union, and a material symbol of its power and usefulness. It bound the East and West together and brought them three days' travel nearer to each other. During the twenty years of its greatness a steady stream of "movers," with their covered wagons and droves of cattle, hogs, and sheep, poured into Ohio, Indiana, and Illinois. For months at a time there was no moment in the daytime when a family wagon was not in sight. At night the road appeared like the picket line of an army. Having traveled over this road, the memory of it lingered long and came back especially vivid as one traveled over the corduroy or mud roads of early Indiana. Most of the settlers of central and eastern Indiana were familiar with "the old pike." Even yet the expression "hit the pike" reminds us of the time when to "hit the pike" meant to leave the country.

§3. THE MICHIGAN ROAD.

Article II of the treaty between the Potawatomi Indians and United States commissioners, made October 16, 1826, on the Wabash near the mouth of the Mississinewa, in Miami county, ceded to the State of Indiana what was considered a sufficient amount of land to build a public highway from Lake Michigan to the Ohio.⁶ This road was to be one hundred feet wide, and to this right of way the In-

⁶ For the best discussion of the Michigan Road see a decision by Judge Black, of Bloomington, Indiana, in the case of the Western Union Telegraph Company vs. Krueger, 74 *Northeastern*, p. 453. The historical part was written by Charles Moore, of Indianapolis, one of the attorneys in the case.

dians added the further gift of a section of contiguous land for every mile. Where the contiguous land did not belong to the Indians—all south of the Wabash—Indiana was to select a section of unsold land for every mile of road. The United States proclaimed the treaty February 7, 1827, and confirmed to the State the gift made by the Indians⁷ by act of March 2, 1827.⁸

By act of the Legislature,⁹ 1828, John I. Neely, of Gibson, Chester Elliott, of Warrick, and John McDonald, of Daviess, were appointed commissioners to lay down the road from Lake Michigan to Indianapolis. They were instructed to select the best natural harbor on the lake; or, in the absence of a good one, the best place to construct an artificial harbor. The route from Logansport to the lake offered considerable difficulty. The terms of the grant were for a direct route. This would lead through the Kankakee swamps, where nobody lived, and where it would be very costly to build a road. To avoid this the road would have to run from Logansport due north to the South Bend of the St. Joseph, thence west to the lake. The point where Michigan City now stands—the mouth of Trail creek—was selected for the northern terminus. Then two complete sets of field notes and plats were made—one via South Bend, the other direct through the Kankakee flats. The party spent 130 days in the northern forests, for which each person received about \$200.¹⁰ Extra hands were paid 75 cents per day and the surveyor in chief received \$2. John McDonald did most of the surveying, but John K. Graham, of New Albany, surveyed twenty-two days.

The choice of routes was thrown back on the Assembly and caused much comment.¹¹ The commissioners, it was

⁷ *Senate Documents*, vol. 35, p. 453.

⁸ *United States Statutes at Large*, 1827, ch. 52.

⁹ *Laws of Indiana*, 1827, ch. 70.

¹⁰ *Laws of Indiana*, 1828, ch. 3.

¹¹ *Laws of Indiana*, 1830, ch. 148—Joint Resolution.

said, had been unduly swayed by personal reasons. Thirty miles of road, it was argued, would cost a great deal and ought not to be thrown lightly on the State for the sole purpose of accommodating a few settlers on the St. Joseph river. The best of the argument, however, was on the side of the commissioners, and on January 13, 1830,¹² the route of the second survey, by way of South Bend, was chosen. The act of January 29, 1830,¹³ established the road from Logansport via Indianapolis and Greensburg to Madison. A new board, consisting of Samuel Hanna, of Wayne county, William Polke, of Knox, and Abraham McClellan, of Sullivan county, was named. This board served only one year and was abolished by act of January 4, 1831. From this time on the whole work was entrusted to William Polke. The road was expected to be opened from Madison to the Wabash by November 30, 1831. The law of 1830 caused quite a memorable quarrel in the Legislature.¹⁴ While it was under discussion Governor Ray appeared on the floor of the Senate and denounced Noah Noble, the contemplated contract commissioner, as a man totally unfit for so responsible a place. The Governor was hissed from the room and the measure passed by a large majority. Although Governor Ray had threatened to veto the bill, he finally signed it. Then on the back of the paper he stated, in abusive words, why he thought the appointee unfit for the place. Senator Linton thereupon offered a resolution that the power of the Governor should extend only to signing or vetoing bills, not to scribbling abuse on them. This passed, and the Senate adjourned, without the usual courtesy of asking the Governor if he had any further communications.

Three surveying parties,¹⁵ headed by Commissioners

¹² *Laws of Indiana*, 1829, ch. 69, sec. 1.

¹³ *Ibid.*, ch. 70.

¹⁴ *Western Sun*, January 20, 1830.

¹⁵ *Western Sun*, October 30, 1830.

Hanna, McClellan, and Polke, spent the summer of 1830 selecting and surveying Indian lands; one party under Hanna on the headwaters of the Eel river, the other two parties on the St. Joseph. They had not made their final report until they were notified that Congress had refused to ratify their choice¹⁶ and had demanded that the road be laid down and then contiguous sections chosen. Further, the land must be selected from lands not yet ceded by the Indians. The construction of the road went steadily on, however, scrip being used in place of money. This scrip was based on the ceded lands and almost the whole road was financed with it. Noble laid off the road into sections of four miles each. By act of February 4, 1831,¹⁷ Polke opened the sale of lands at Logansport. No land was to be sold under \$1.25 per acre. The part of the road from Logansport to St. Joseph county was ordered under contract at a price not exceeding \$150 per mile. The road was divided into three sections.¹⁸ The first, from Madison to Indianapolis, was under the management of Daniel Kelso; the second reached to Logansport and was under the superintendence of Horace Bassett; the last was managed by Polke himself. During 1832 lands were placed on sale at Laporte.¹⁹ Scrip was accepted in payment for all lands. The road was cleared one hundred feet wide; thirty feet was grubbed and graded. By 1836 it was clearly ascertained that this made a poor road. In the worst places logs were piled in crosswise and covered with sand. Many bridges were washed away every year by the streams. Although the road was used enormously north of Indianapolis, it was anything but satisfactory. It passed through fourteen counties and was used by the inhabitants of thirty-five in going to the capital. The

¹⁶ *Western Sun*, January 15, 1831.

¹⁷ *Laws of Indiana*, 1830, ch. 72, sec. 6.

¹⁸ *House Journal*, 1834, p. 106.

¹⁹ *House Journal*, 1833, Appendix.

Assembly at almost every session had to make an appropriation for repairs. In 1837 a surveyor named Julius W. Adams was authorized to examine the road with a view to macadamizing.²⁰ The party spent the summer along the northern part of the road. The survey began at the capital and followed the old route. Reports were made on the soil, topography, materials for road building, rainfall, streams, and their probable volume in flood time. A good dry road could be made, they estimated for \$2,409 per mile, or a total of \$411,646. The road could be paved with wooden blocks for \$12,000 per mile, but this was not advised. A good dry dirt road, the report concluded, would answer all demands.

By this time, 1837, the State was not able to give further aid to the road. Its resources were completely prostrated. By act of February 2, 1837, the various county boards through whose jurisdictions the road ran were required to divide the road into suitable sections, over each of which a supervisor was to be placed with power to call out the hands to keep it in repair.²¹ These hands were liable for two days' work each year. By acts dated February 13, 1841, and January 31, 1842, the road was classed with all other State roads and brought entirely within the compass of the general road law of 1838.

This road began at Madison, ran almost due north through Jefferson and Ripley counties to Greensburg in Decatur. Thence by a direct line, it led across Shelby county to the capital. The important sections of the road were those from Indianapolis across Hamilton, Boone, Clinton, and Carroll counties to Logansport, and from that place due north again across Cass, Fulton, and Marshall to South Bend, and thence west to Michigan City. During eight months of the year it

²⁰ *Laws of Indiana*, 1836, ch. 49, sec. 1. See also the *Report of the Commissioners of the Michigan Road*, December 19, 1836; *Documentary Journal*, 1836-'37 (not paged).

²¹ *Laws of Indiana*, 1836, ch. 49, sec. 3.

was an open, passable highway, but during the winter it was an endless stream of black mud and almost useless. Its importance may be estimated from the fact that one-half the pioneers of the northwest quarter of Indiana reached their homes over it. As a road it was not comparable to the National, but it was an available means of reaching a very attractive country when there was none other.

§4. OPENING STREAMS FOR NAVIGATION.

The second plan of the Legislature to secure internal communication was to open up the streams for navigation. The natural features of the State easily lent themselves to this plan. The southern boundary was a navigable river from which numerous tributaries led into the interior. On the west was the Wabash, crossing the State almost diagonally, and sending off large branches to almost every county. The northeast was accessible from the Maumee, while the northwest had the St. Joseph and Lake Michigan. Unfortunately, all the streams, except the Ohio, were too small for successful navigation; but it was thought, by clearing them of snags and bars, that they could be made navigable for pirogues and small flatboats. They would thus answer the purpose of highways, at least for the present. The first step in transforming these streams into highways, was to declare them navigable waterways,²² thus forbidding their obstruction by milldams and bridges.

This work was begun during the fourth session of the General Assembly, at Corydon. By a combination bill ap-

²² The Ordinance of 1787 provided that: "The navigable waters leading into the Mississippi and St. Lawrence, *and the carrying places between the same*, shall be common highways, and forever free, as well to the inhabitants of said territory as to the citizens of the United States, and those of any other States that may be admitted into the confederacy, without any tax, impost or duty therefor." This plainly meant "navigable" for the canoes and bateaux then used for navigation, and the early legislation was based on that understanding.

proved January 17, 1820, White river to the forks at Daviess county; West fork to the Delaware Towns near Muncie; East fork to Flat Rock in Shelby county; Muscakatuck from its mouth to Vernon; Big Blue to Fredericksburg near the south line of Washington county; Whitewater from the north boundary of Fayette county to the Ohio; Anderson from its mouth at Troy to the Hurricane fork near St. Meinrad; Poison creek to Cumming's mill; Oil creek to Aaron Cunningham's mill (the two latter entirely in Perry county); Raccoon creek in Parke county, to Brook's mill; Big creek to Black's mill; Loughrey creek in Ohio county, up to Hartford; Patoka river to Moseby's mill; Indian creek in Harrison county; Indian Kentucky creek for a few miles in Jefferson county up to Brook's mill; Little Pigeon and Big Pigeon creeks, the latter at Evansville, the former between Spencer and Warrick counties; Big Sand creek to its forks near Scipio in Jennings county, were all declared navigable streams.²³

Almost every creek large enough to float a sawlog was opened, so far as a statute without an appropriation would effect it. Later the Legislature tried a different plan.²⁴ January 21, 1826, by act of the Legislature, John Eaton, Jacob Wolf, and Joseph Latshaw were commissioned to clear Busseron creek from Eaton's mills to its mouth in the Wabash above Vincennes. Log creek in Switzerland county, Plumb creek in the same county, Big Indian creek in Morgan county, Lick creek in Orange county, Lost river in Orange county, Mississinewa river from Marion to Peru, Brushy fork of Muscakatuck, and Eel river up into Putnam county, were likewise put in commission. The county boards of justices had chief control of most of this work.

²³ *Laws of Indiana*, 1820, ch. —, p. 59.

²⁴ *Laws of Indiana*, 1825, chs. 34, 35, 36, 37, 38, 39, 40. See also *ibid.*, 1826, chs. 39, 40, 41, 42, and 1827, chs. 42, 43.

The commissioners were empowered to call out the "hands" living within two miles of the stream to help clear it.

Little serious effort was ever spent on any of the minor streams, but greater hopes were built on the possibilities of White river and the Wabash. It was confidently believed that White river could be opened to the year-round navigation of boats of large tonnage. During the session of 1825 Alexander Ralston was appointed to examine the obstructions in West fork of White river from Sample's mill, in Randolph county, to its junction with the East fork, and the latter from the junction of Blue river and Sugar creek in the southeast corner of Johnson county to its mouth, and to report to the next Legislature.²⁵ Much spasmodic and ineffective labor was spent on these streams, but the recurring freshets kept the rivers full of drifts and uprooted trees. The journals of the Legislature contain numerous petitions to break up drifts that had interrupted navigation. These streams formed the main outlet for the surplus farm products of their valleys. Flatboats were built, loaded in convenient pools, and, when the water reached the proper stage, were floated down to the Wabash and Ohio, then either re-shipped or taken on to New Orleans. Hundreds of these went down the Wabash every year.

Upstream navigation was well-nigh impossible, but was occasionally resorted to when roads were impassable. It was difficult to get along the shore with a tow line, so the only way to propel a boat upstream was with sharp poles set against the bottom. This plan was used most on the upper Wabash, from Lafayette to Logansport and Peru. Steamboats rarely went above Lafayette, and for several years an

²⁵ *Laws of Indiana*, 1825, ch. 46. This session of the Legislature convened in January, 1825, instead of December, 1824, as was customary. There were consequently two sessions beginning in 1825. The act referred to above was approved February 12, 1825. Mr. Ralston was an early surveyor, helped survey the site of the capital and located nearby.

extensive commerce in salt and manufactured goods was carried on between that place and upstream towns by means of pole boats. For this purpose they used a flat bottomed boat thirty to forty feet long, with four foot-guards, along which six or eight men walked and pushed with spike poles set against the bottom. In this manner three or four tons could be driven eight to ten miles per day.

There were many attempts in the early years of Indiana to pilot steamboats up to the upper Wabash towns. The best water came in March usually. In 1821 Mr. Linton, a trader from Terre Haute, had a steamer run to that town, which they estimated to be three hundred miles from the Ohio.²⁶ A merchant of Lafayette, named Elston, freighted a steamer to that town as early as 1825. On March 24, 1830, Captain John Moon, of Ripley, Ohio, ran the "Paragon" to the mouth of Rock creek, about twelve miles below Logansport. They reported good water—six and one-half feet—on the bar below Logansport. These reports, and the fact that boats could be loaded anywhere along the river for the New Orleans market, brought a rush of settlers.

Governor Ray, in his message of 1829, said that for months past there could be seen daily twenty to fifty wagons, each containing a family, heading for the upper Wabash.²⁷ He estimated the number at 180 per day, or at least 50,000 per year. The settlers along the Wabash had early asked the State for aid in opening up the river. Vincennes was the center of this agitation. The only local political platform for candidates in Knox county from 1816 up to 1840 was "Improvement of the Wabash." Opposition or indifference to this was defeat to a candidate. Before the government was transferred to Indianapolis, a law was enacted January 31, 1824, looking to the improvement of the Wa-

²⁶ *Miami Times*, quoted in the *Western Sun*, May 8, 1830.

²⁷ *House Journal*, 1829, p. 14.

bash.²⁸ This was in response to a memorial from Illinois, asking the aid and co-operation of Indiana. Commissioners were appointed, one from each State, to examine the river from the mouth as far up as it formed the common boundary. Illinois was then interested in opening up for navigation all the small streams in that State and it wished to include the Wabash. William Polke had been appointed by the Legislature in 1822 to view the river and had reported that the Grand rapids, just above the mouth of the White river, was the chief difficulty.

William Polke, who was the first commissioner of the Wabash, was at this time a citizen of Knox county. He was long and honorably connected with the early history of the State. He helped frame the first State Constitution, at Corydon, in 1816. He served in the Senate from 1816 to 1820, inclusive. The Michigan road was built almost entirely under his administration. He died April 26, 1843, at Fort Wayne, as register of the government land office. In early life he had been a soldier under Wayne on the Maumee. Contemporary papers praise him highly as a man of honesty, ability, and great public usefulness. Almost forty years of his life were spent in public service.²⁹

For this survey of the Wabash, Mr. Polke was paid \$114, January 31, 1824, by Christopher Harrison, agent of the three per cent. fund. By this same Legislature the Governor was instructed to have a channel thirty feet wide and two and one-half feet deep dug at the Grand rapids. All the three per cent. fund due Knox, Sullivan, Vigo, Vermillion, and Parke counties was set aside for this work.³⁰ The Governor was to have \$2 per day for the time actually spent on the banks. Illinois was expected to furnish half the money for the work. Some idea of the task may be had from the

²⁸ *Laws of Indiana*, 1823, ch. —.

²⁹ *Western Sun*, May 13, 1843.

³⁰ *Laws of Indiana*, 1823, ch. —, p. 81.

report of Mr. Polke and Thomas S. Hindes, the commissioner from Illinois.³¹ The ripples at White river, Hanging Rock, Grand island, Little Rock, and Coffee island aggregated over two and one-half miles in length with an average depth of water, at time of survey, of eighteen inches, and a fall of near ten feet. With the small appropriation, Governors Hendricks and Cole could not do more than keep snags and drift out of the river.

§5. THE OHIO FALLS CANAL.

The story of the Ohio Falls Canal takes us back into the territorial days of Indiana.³² The portage at Louisville had been a bugbear to navigation since the first settlements along the upper Ohio. The first demand for a canal came from Cincinnati, and the Legislature of Ohio manifested more concern in its building than that of either Indiana or Kentucky. The first attempt by Indiana people was about 1805, when a company, composed largely of Clark county citizens, subscribed \$120,000. Rivermen seemed willing to pay a large toll rather than unload or risk running the falls.

One of the first acts signed by Jonathan Jennings, the first Governor of Indiana, was an act to incorporate the "Ohio Canal Company." The corporation name was John Bigelow & Company, capital stock twenty thousand shares of \$50 each, or a total of \$1,000,000. Much of the capital was expected from Madison and Cincinnati. The directors were John Bigelow, James Lemon, Samuel Beach, Samuel Gwathmey, James Scott, Nathaniel Scribner, and Nathan Cromwell.³³ This board included some of the most prominent early settlers of Clark county. The long law of twenty-three sections shows much careful thought and argues that its framers expected soon to see the work done.

³¹ *Western Sun*, May 8, 1824.

³² *History of Ohio Falls Cities*, vol. 1, p. 53.

³³ *Laws of Indiana*, 1816, ch. —.

The power of eminent domain was conferred, both for right of way and for building material. They might double the capital if necessary. Books were to be opened to the inspection of the Legislature or of its agents. The canal was to become the property of the State in 1858. No tax was required of the corporation until its canal was complete. The canal was to be cut on the Indiana side. The act is an evidence of the aspirations of the two young Hoosier cities.

New Albany was then only five years old, having been laid out by the Scribners in 1813. John K. Graham, a prominent citizen of the State, was also one of its first settlers. At the time when the canal company was incorporated, New Albany contained near one thousand people—about 150 houses. Jeffersonville was both older and younger. It was surveyed by John Gwathmey in 1802, but it grew slowly. It is claimed the original plan for the town was drawn by Thomas Jefferson in checkerboard shape, the alternate squares to be retained as parks by the city. It was not incorporated till 1839, when its population had reached slightly over five hundred.

The charter of 1816, however, was not liberal enough in its provisions to suit foreigners, and the money for the canal was not forthcoming. Governor Jennings in his message December 2, 1817, recommended that something be done to secure the canal at New Albany.³⁴ Accordingly a second company was chartered January 18, 1818, and the old charter canceled. The main provisions of the old charter were retained.³⁵ The directors were given power to fix the toll without legal restraint. They were further empowered to receive subscriptions from any source, especially the United States. They were given the privilege of raising \$100,000 by lottery; one-half the amount to be invested in stock for

³⁴ *House Journal*, 1817, p. 8.

³⁵ *Laws of Indiana*, 1817, ch. —.

the State, the other half in stock for the company. Work was to begin in two years, and be completed in 1824. The charter was to expire by limitation in 1899. One of the directors was Benjamin Parke, a native of New Jersey who came to Lexington, Kentucky, when a young man, and crossed over to the territory in 1801; later he was appointed territorial judge by Jefferson. He was a personal friend of Henry Clay and General Harrison. Others were James Scott, a lawyer; Jacob Burnett, Christopher Harrison, John Paul, of Madison, one of the incorporators of the Madison Academy; William Prince, and Steven Ludlow, of Dearborn county, later on the commission to locate Indianapolis.³⁶ Work began in 1819. The course, two and one-half miles long, was laid down from the ravine at the mouth of Cone creek to the eddy at the foot of the rapids. Bigelow and Beach, the local bankers, were the chief promoters. They were using Cincinnati capital. The directors met in March, 1819, and set the first Monday in May as the time to begin work. "The time for delay is past," says the *Indianian*.³⁷ "The interests of the whole West are inseparably connected with the canal. The lottery to raise money will commence drawing in a few days. Let people purchase the tickets freely." Michael I. Meyers took the contract for the work.³⁸ It was a big undertaking for that day, but he went at it in a Herculean way. Cone creek was dammed and a new channel cut for it along the canal route. Clark county clay was found rather too stubborn and the plan failed. The Legislature of 1819 empowered Governor Jennings to take two hundred shares of stock on account of the State, and it set aside \$10,000 from the three per cent. fund for the purpose.³⁹ A part of this was invested, but even the fact

³⁶ *Western Sun*, August, 1835.

³⁷ *Western Sun*, March 27, 1819, copied from *The Indianian*.

³⁸ *History of the Falls Cities*, vol. 2, p. 453. Also *Geographical Sketches of the Western Country*, p. 420.

³⁹ *Laws of Indiana*, 1819, ch. —, p. 135.

that the State was aiding did not save the company. Governor Jennings now thought the State in honor bound to go ahead and finish the work.⁴⁰ Public sentiment generally favored it, and he advised using the three per cent. fund. Meanwhile the Ohio Legislature, urged by the *Cincinnati Gazette*, was considering a bill to construct a canal at the Falls.⁴¹ "It will be a proud day for Ohio," says the *Gazette*, "when the canal is done." The commissioners appointed by Pennsylvania, Virginia, Ohio, and Kentucky to view the falls and report the most practicable route, decided in favor of the Louisville canal, estimating its cost at \$400,000 and the one on the Indiana side at \$1,000,000. This was a death blow to the Indiana company.⁴²

By an act of January 31, 1824, Governor William Hendricks and Christopher Harrison were appointed to take charge of the derelict corporation.⁴³ They were directed to take measures at once for the immediate completion of the work at the State's expense. Money was to be borrowed, for which the three per cent. fund, and the future receipts of the canal, were to be the pledges. All the rights and privileges of the old company were devolved on the agents, who were further empowered to work the State convicts. In their zeal the projectors overlooked two very important considerations—neither the labor nor the capital could be had in the vicinity at the time, and the amount of commerce was not sufficient to attract outside capital. Eastern improvements, especially in New York, Pennsylvania, Maryland, and Virginia, were absorbing all the surplus means then in the country.

There was a further reason. The Legislature of Kentucky in 1825 chartered a company, backed by Philadelphia

⁴⁰ Governor's Message, *House Journal*, 1820.

⁴¹ *Western Sun*, March 17, 1821.

⁴² *Niles Register*, December 25, 1819.

⁴³ *Laws of Indiana*, 1823, ch. —, p. 78.

capital, to build a canal on the Kentucky side.⁴⁴ The United States subscribed \$290,200 to the enterprise. On December 28, 1826, the *Louisville Public Advertiser* announced that the contract for the whole job had been let, at twenty per cent. below estimates, to Chapman, Culver, Lathrop, Collins, Perrin & Company. These were the old contractors, fresh from the Erie canal, bringing men and tools from that work. The contract called for completion October, 1827, but it was not entirely completed till 1831. In less than fifty years the canal entirely paid for itself, and in 1872 the national government assumed complete control. There was complaint of exorbitant tolls, and in 1836 an Indiana company obtained a charter to build another canal on the north side, but nothing was done.⁴⁵

§6. COMMERCE OF EARLY INDIANA.

Meanwhile there was considerable commerce on the Wabash and Ohio. Andrew Gardner and Samuel Mundy did the best they could, with the small amount of money at their disposal, toward keeping the river clear.⁴⁶ The steamer "American," James L. Wilson, master, was making regular trips from Louisville to Terre Haute. Her owners advertised her for sale in the *Western Sun*, June 6, 1827. Johnson & Wilkinson carried an advertisement in the *Sun* during the summer of 1827 to forward goods from New York to Pittsburgh in seventeen days for \$2.25 per hundred, or to Sandusky in twelve days for \$1.25 per hundred.⁴⁷ The steamer "Philadelphia" made the run from New Orleans to Cincinnati in nine days.⁴⁸ From the *Sun* of April 25, 1829, the following river news is taken: April 17, "Criterion,"

⁴⁴ *Western Sun*, January 14, 1827.

⁴⁵ *Western Sun*, March 4, 1836, quoting the *Albany Gazette*. See also *Laws of Indiana*, 1835, ch. 59, p. 240.

⁴⁶ *Vincennes Gazette*, March 28, 1835.

⁴⁷ *Western Sun*, April 7, 1827.

⁴⁸ *Ibid.*, April 28, 1827.

arrived from Lafayette to Shawneetown; 18, "Victory," from Lafayette to Louisville; 19, "Wm. Tell," from Cincinnati to Lafayette; 21, "Criterion" returned from Shawneetown, with a barge of salt in tow. From the same paper, April 23, 1831, is the following: April 16, "Pearl," from Shawneetown to Eugene; April 17, "Fairy," from Louisville to Lafayette; April 18, "Pearl," on return to Shawneetown; April 20, "Forester," from Lafayette to Louisville; April 18, "Java," Louisville to Eugene; on the 23d the "Experiment" made the trip, the first on record, from New Orleans direct to Terre Haute.

In the issue of March 27, 1834, these arrivals at Vincennes were noted: March 22, "Camden," from Lafayette, and "Shylock," from the mouth of the Wabash; 24, "Salem," from Pittsburgh, and "Tennessee," from Lafayette; 25, "Logansport," from Delphi; "Sabine," from Pittsburgh; "Fairy," from the mouth of the Wabash; 26, "Tide," from Lafayette; "Wm. Hurlbut," from Cincinnati; on 26, "Monroe" and "Salem," down from Lafayette. From April 14 to 27, forty-one boats landed at Terre Haute. The "Indian" was built that spring expressly to do the carrying trade from Cincinnati to Lafayette. While the stage of water would permit—during February, March, and April—there was at least one boat per day at the Vincennes wharf.

The Vincennes papers usually carried two pages of commercial advertising. Goods are, almost invariably, "just received" from New York, Baltimore, Philadelphia, or New Orleans. April 24, 1824, Samuel Thorn advertised that he had "just received" from New Orleans a full line of groceries. He further wanted one hundred dozen chickens, for which he would pay \$1 per dozen. May 1, 1824, Mr. Samuel Tomlinson notified his customers that his order of merchandise from Philadelphia and Baltimore had arrived. July 9, 1825, James McArthur received a bill of hardware

consisting of griddles, dogirons, fan mills, rag irons, ten-plate stoves, odd lids, wagon tires, square iron, mill spindles, flatirons, wagon boxes, mandrels, sawmill cranks, teakettles, bull plough plates, scallop iron, bars, ovens, and two hundred pounds of salt. Of this list less than a half-dozen articles could now be found on the market. Muir & Ormsby received a full cargo, February 18, 1826, consisting of seventy-nine packages of dry goods, twenty-eight casks of hardware, and the balance of groceries. These were to be opened for the big spring sale, March 13, 14, 15, 16.⁴⁰

It is next to impossible to construct a table of prices from the newspapers remaining from this period. Prices necessarily fluctuated with the possibility of immediate shipment. Through about nine months of the year the river was either too low or frozen over. From the evidence at hand it seems that prices of produce on the Wabash were about forty per cent. of those at New Orleans. Price currents from New Orleans were printed regularly in the Vincennes papers during the spring and summer. The following from the *Western Sun and General Advertiser*, December 15, 1825, are fair samples: Scotch bagging, 26 cents; Kentucky ball rope, 7 cents per pound; hams, 9 to 12 cents; beans, \$1.50 the bushel; brandy, \$1.12 the gallon; coffee, 25 cents; corn, 40 cents; flour, \$7 the barrel; iron, \$100 the ton; cut nails, 15 cents per pound; salt, 45 cents per bushel; shot, \$9 the hundred pounds; sugar, 11 cents; whisky, 30 cents per gallon. On the other hand, J. L. Coleman offered, in the *Sun* February 14, 1824, to pay 62½ cents for wheat at the old Ox Mill, and on August 11, 1827, William Logan advertised for good, corn-fed hogs, for which he would pay 1½ cents per pound in merchandise.

The Canal Commissioners for 1829 estimated the annual trade of the Wabash at 7000 barrels of salt, 3000 barrels

⁴⁰ All these items are from the *Western Sun*.

of whisky, at Terre Haute alone; 3000 barrels of pork from Terre Haute, 10,000 barrels from the whole valley, and 450 tons of dry goods. The freight on these items alone at usual canal rates would be about \$7000.⁵⁰

Meanwhile the interest in navigation was not confined exclusively to the lower Wabash towns. On April 11, 1831, there appeared in White river, at Indianapolis, a real steamboat, the "Robert Hanna." Not only was there a real steamboat, but it was pushing a heavily laden keel barge. Indianapolis had always claimed that the White river was navigable. Now who could deny it? No excitement in the history of the town compared to this. Every man, woman, and child lined up on the banks of the river. There was no time for sleep that night. Early the next day Captain Blythe paraded his artillery company on the bank and fired a salute. The captain of the boat then offered to take the ladies who wished to go for an excursion up the river. There was no lack of volunteers and the gallant captain had to make a second trip or leave a fatal division in society at the capital.⁵¹ The boat had been purchased by Hanna & Company, contractors on the National Road, to be used to haul stone from the Port Royal bluffs for the big bridge across White river. The glory was short-lived. The boat was not built on the lines required and had to be sent back. On her return trip she ran on a bar at Hog island, a few miles down, and lay there till winter. However, the event added greatly to the reputation of the capital and limited the swaggering of the members from the metropolitan cities of Madison, New Albany, and Vincennes.

A like excitement was caused on the St. Joseph three years

⁵⁰ *Western Sun*, February 7, 1829.

⁵¹ *Indiana Journal*—copied in *Sun* April 30, 1831. The *Journal* was established in Indianapolis March 7, 1823. Its name, at first the *Western Censor and Emigrants' Guide*, was changed to *Indiana Journal* in 1825.

later when the "Matilda Barney" steamed down to the South Bend on her way to Elkhart and Goshen. She had on board one hundred passengers and ten tons of freight, and was drawing thirteen inches of water. Everybody in reach rushed to the banks to see the wonder. Land along the river rose over night, from \$5 to \$10 per acre.⁵² The most promising point along the river at the time was the iron foundry at Mishawaka.

The shopkeepers of Delphi and Peru had tried, unsuccessfully, for some years to secure regular navigation up to those towns.⁵³ Finally, they prevailed on the master of the little steamer, "Republican," to make a trial trip. Accordingly, on the June rise, 1834, the start was made, with a number of Logansport men on board and also the interested merchants. The boat walked along beautifully till, a few miles above the Delphi landing, she began to strike. The crew had to get out at sand bars and lift and push. Hawsers were run ashore and used as tow lines. Finally she struck the Georgetown bar and stuck fast. Captain Towe, as well as Colonel Pollard, and Job Eldridge, who had goods aboard, got out in the water and pushed and hauled. It was no use. Twenty yoke of cattle were hitched on and the little "Republican," shorn of much of her prestige, but still alive, steamed into the harbor at Logansport. The return trip was never attempted. The boat bilged and sank near the mouth of Eel river.⁵⁴ This, if not the first, was among the first of the steamboats that ever went so far up. The soundings taken by the "Republican" showed that Delphi could be reached easily; and the next year a petition was sent to Congress by the Delphians asking that that place be made a port of entry. This was coupled with an im-

⁵² *Western Sun*, May 31, 1834.

⁵³ Sanford Cox, in *Recollections of an Old Settler*, Lafayette, 1860.

⁵⁴ Dr. James H. Stewart, *Recollections of Carroll County*, Cincinnati, 1873.

provement bill. From this time the Wabash became a part of the system and will be further treated in that connection.

§7. EARLY PARTIES AND GOVERNMENT AID.

The discussions in the Legislature at Corydon discovered two parties that continued throughout the internal improvement era in the State. The eastern members, headed by the Madison representatives, wished at this time a canal around the falls at Jeffersonville. The western members, led by the Knox county representatives, had their heads set on the improvement of the Wabash. The State had no money to do both, and, as a compromise, the Wabash representatives had to be content for the time with a survey only. "The members from the West," says the *Western Sun*, "who opposed a canal around the falls without first making provision for the navigation of the western rivers deserve the warmest support of their constituents." "We view with a deep and lively interest," says John Ewing, in a report by the committee on the Wabash, to the Legislature, "all efforts looking toward the navigation of our rivers. The future welfare of our State is inseparably joined with the opening of the rivers to commerce. Already there is produced an enormous surplus, but for lack of market it has no value. What we need is a system of canals with the Wabash as the basis. Our prosperity awaits the canal builders. The scintillations of their mighty geniuses have visited every hemisphere, and their benign influence will continue to unfold and expand the beauties of nature and the mysteries of political economy till the Danube, like the Nile, the Mississippi, like the Thames, and the Wabash, like the Hudson, shall exhibit one grand theater of splendid and successful exertion."⁵⁵

By this time, 1827, the New Orleans market was failing, not on account of the quantity of produce, but on account of

⁵⁵ *Western Sun*, March 5, 1825.

the time and manner of reaching it. Three-fourths of the marketable produce of the Mississippi valley was run out in March. This deluge struck New Orleans all at once, and, it being a small city, was unable to take care of it till it could be shipped to New York. In the spring of 1826, 152 flatboats passed Vincennes loaded for New Orleans. These carried 250,000 bushels of corn, 100,000 barrels of pork, 10,000 hams, 2500 live cattle, 10,000 pounds of beeswax, 3600 venison hams, besides hogs, oats, meal, chickens, etc.⁵⁶ On this basis, about three hundred flatboats left the Wabash each year. With the failure of the New Orleans market, the agitation for a Wabash & Erie canal began in order that they might have direct connection with New York.

In the session of the Legislature of 1826, a bill was introduced providing that \$100,000 of the three per cent. fund be anticipated and applied toward opening the Wabash, but the bill was not passed.⁵⁷ General W. Johnston, Benjamin V. Beckes, and John W. Ewing, the Knox county delegation, could not agree among themselves, and the eastern men lent their aid in killing the bill. S. C. Stephens, Philip Sweetser, and Isaac Howk spoke against it, accusing the Vincennes men of trying to make a grab.⁵⁸

On their return home, Johnston attempted, in a series of letters in the *Western Sun*, to fix the responsibility for the defeat on Beckes. Beckes replied in kind, and a running fight of abuse was kept up all summer, each attempting to outdo the other in proclaiming himself a friend to improvement. Their constituents retired them both and at the August election returned Samuel Judah, a Vincennes lawyer, and Thomas McClure, tax collector of Knox county, as their representatives, and John Ewing, a wealthy merchant of Vincennes, as senator. General W. Johnston, the leader

⁵⁶ *Western Sun*, June 17, 1826.

⁵⁷ *Western Sun*, February 24, 1827.

⁵⁸ *Western Sun*, May 19, 1827.

in this effort, was a Virginian, born in Culpepper county, in 1774. At the age of twenty he came West and fought under Harrison at Tippecanoe. For many years he was a prominent lawyer in western Indiana, and served a term as president judge. He died in Vincennes October 26, 1833.⁵⁹

Notwithstanding Mr. Judah began a newspaper campaign as soon as he was elected, interest in State improvement of the Wabash lagged.⁶⁰ All felt that the expression by the Legislature of 1826 was final. Besides, there was grumbling in many quarters over the present expenses of the State, which reached already beyond \$30,000 per year. Four thousand, five hundred twenty-eight dollars was appropriated January 29, 1830, to clear the Grand Rapids of obstruction, but no further attempt on a large scale was made for State improvement.⁶¹

The Legislature next turned its attention to the government at Washington. A joint resolution of the fourteenth session begged the United States to open the Wabash.⁶² The same session called the attention of Congress to the needs of the Ohio and also asked for a land grant to build a road from the falls of the Ohio to Indianapolis.

The internal improvement men controlled Congress at the time, but Jackson looked with suspicion on all attempts to break into the national treasury. Led by Senator John Tipton, of Harrison county, and John Ewing, of Vincennes, representing the second district in the lower house, Congress sent a bill to the President, carrying a \$20,000 appropriation for the Wabash.⁶³ Jackson vetoed the measure, giving as

⁵⁹ *Vincennes Gazette*, November 9, 1833. This paper was founded in 1830 by Richard Y. Caddington. It was the organ of the Whig party. It was edited by its founder for twenty-five years. It continued till 1865.

⁶⁰ *Western Sun*, October 20, 1827.

⁶¹ *Laws of Indiana*, 1829, ch. 57, sec. 1.

⁶² *Laws of Indiana*, 1830, ch. 135.

⁶³ *Vincennes Gazette*, August 2, 1834

his reason that there was no port of entry. The defeat was the more crushing because Indiana had voted almost two to one for Jackson when the State was safely Whig. During the next session, Colonel Tipton renewed his efforts, including in his bill a clause making Lafayette a port of entry. Senator Tipton cited thirty cases where Jackson had signed similar measures.⁶⁴ Webster denounced the President's excuse as having no legal foundation. Money had been appropriated to improve the Monongahela and the Cumberland, neither having ports of entry. Tipton took the President severely to task for his partisanship, but the only reward he received was four columns of abuse in the *Congressional Globe*, for his presumption. Ewing gave expression to his feelings in the *Vincennes Gazette*. The Wabash valley never forgave Jackson for what it termed his treachery.

Senator John Tipton was a prominent character in early Indiana history. His father, a Marylander, had emigrated to Sevier county, Tennessee, after the Revolution, and was murdered there by the Cherokees in 1798. John Tipton was seven years old at the time. He removed with his mother to Brindley's Ferry, Harrison county, Indiana Territory, in 1807. After the Tippecanoe campaign, in which he served, he was chosen sheriff of Harrison county. He represented his county in the Legislature in 1819, 1820, 1821, and 1822, serving on the commission appointed 1819 to locate a capital in the center of the State. In 1823 President Monroe made him Indian agent at Fort Wayne. In 1828 he removed with the agency to Logansport. In 1832 the Legislature chose him to fill out the unexpired term of James Noble in the United States Senate. In 1833 he was elected for a full term, closing his term and his life in the same year.⁶⁵

⁶⁴ *Ibid.*, January 3, 1834.

⁶⁵ Pershing, *Life of John Tipton*.

III.

ERA OF SYSTEMATIC INTERNAL IMPROVEMENTS, 1827-'40.

§1. THE PROBLEM, THE PEOPLE, AND THE LEGISLATURE.

Immediately after the War of 1812 there arose in all parts of the United States a demand for internal improvements constructed by the government. The rise of a party favoring this policy is contemporaneous with the admission of Indiana into the Union. The party found its strength among the farmers, and was based on a legitimate economic need. The farmers throughout the nation possessed an abundance of fertile land. Their surplus products were of little value to them; since a large part, and frequently all, of their profits were eaten up in transportation. Naturally, this party was strongest in the Western States. Their markets were the seaboard cities, and the farther west the farmer was, the less valuable was his surplus grain. All the seaboard States, however, were deeply interested in the problem of transportation. Every State from New York south and west was busy from 1816 to 1840 developing and perfecting its own system. Legislators and legislatures were called wise just in proportion to the completeness and inclusiveness of their systems. The history of this period seems like that of an ancient people, so completely have times changed.

The migration of hundreds of thousands from the seaboard to the Ohio valley kept the interest in highways unabated. Committees of legislatures, whose States seemed on the point of being deserted, reported that the people were leaving on account of lack of transportation facilities. Every State finally caught the fever, and in the two decades following the close of the War of 1812 they rolled up a com-

bined internal improvement debt aggregating \$225,000,000.¹ Pennsylvania took the lead in amount, while New York led in time and spirit, and was the only one to carry the policy to success. At the very time when the Indiana Legislature was holding its first session, the future policy of the United States toward internal improvement was being decided. In the session of Congress, convened in 1816, a select committee,² appointed on motion of Calhoun, introduced a bill setting aside the bonus of \$1,500,000, paid by the Second Bank of the United States, and the annual dividend on \$7,000,000 of stock, owned by the United States, as a fund for building roads and canals. This measure passed Congress by virtue of votes from the Middle and Western States, but it was vetoed by Madison. Three months after the first Indiana Assembly adjourned—April 15, 1817—the Legislature of New York undertook the construction of the Erie canal, and every resource of that State, from the income of lotteries to the labor of her convicts, was pledged to its completion.

In his message to the Legislature of December 2, 1817, Governor Jennings, of Indiana, refers to a letter from De Witt Clinton, of New York, discussing the practicability of connecting the Great Lakes with the Ohio-Mississippi system, thus making all-water connection between the Hudson and Mississippi.³ In the same message, he notifies the Legislature of a resolution of the Pennsylvania Legislature, inviting the Governors of Ohio, Virginia, Kentucky, and Indiana to meet the Governor of Pennsylvania in a conference on internal improvements, especially looking to the better navigation of the Ohio. The newspapers of the State early added their influence. The *Western Sun*⁴ considered a sys-

¹ *American Almanac and Repository of Useful Knowledge for the Year 1840*, p. 105. Boston.

² McMaster, *A History of the People of the United States*, IV, 411.

³ *House Journal*, 1817, p. 8.

⁴ December 3, 1816.

tem of improvements an imperious necessity. Even then there were two parties that continued through the whole era to divide the counsels and energies of the young State. The settlers along the Ohio and Wabash rivers looked to New Orleans as the natural emporium; while all those settlers, and they were rapidly gaining the ascendancy, who came over the National Road, looked to New York and the seaboard cities as the best markets. There was no lack of discussion nor fanciful schemes for building canals, but the slender resources of the State were a bar to any definite attempt. Governor Jennings, in his third message, suggests that "The internal improvement of the State forms a subject of the most serious importance and deserves the greatest attention. It increases the value of the soil, leads to culture and refinement, induces immigration, broadens the horizon of the people, and prevents feuds and political broils. With the three per cent. fund it is in your power to lay the foundations of a system coextensive with the State."⁵ During the next ten years the "System" was the commonest subject of discussion. No one knew exactly what was meant by the "System," but it was felt that as soon as possible the State, by some means or other, would construct some kind of a system of communication that would answer the needs of the people. "Interest in the canals has abated," said Governor William Hendricks in his message, "but we should keep them in mind and wait till the resources of the State increase."⁶

In response to memorials, Congress, May 26, 1824, donated to the State a strip of land 320 feet wide through the public domain, on condition that the State, in twelve years, would construct a canal thereon. The committee on canals

⁵ *House Journal*, 1818, p. 21.

⁶ *House Journal*, 1822, p. 37.

of the Indiana Legislature reported the grant illiberal, and moved another memorial.⁷

The State debt at this time was \$27,000 and the annual income about \$40,000. Taxable polls numbered 34,000, of which Wayne county had the largest number, 2141.⁸ At the August election of 1825 James Brown Ray was elected Governor by the internal improvement party. Governor Ray was a Kentuckian by birth—born in Jefferson county, February 19, 1794. He studied law in Cincinnati and settled down to practice at Brookville, then one of the leading cities of the State. He represented Franklin county in the sixth General Assembly as a Representative; in the seventh, eighth, and ninth sessions as a Senator. He served as Governor two terms, 1825-1831. In 1837 he was defeated for Congress in the Indianapolis district, where he had made his home after his term as Governor expired. Physically he was a well-proportioned man weighing about 250 pounds. In temper he was haughty and overbearing, usually in trouble, which he seemed to enjoy. He would quarrel with a carpenter over an hour's wage with the same dignity as with the Legislature.⁹ Many stories remain concerning his irascible temper. On one occasion, while attending court at Danville, and while the lawyers were warming their shins before the fire, Calvin Fletcher raised some doubt over a statement made by Ray. The latter without a further word took Fletcher by the nose and demanded a retraction. Fletcher landed on the ex-governor's jaw, but friends stopped the argument. Ray's pet vision was his adopted city as the center of a great railroad system with radiating lines reaching every city in the State. Throughout his life

⁷ *House Journal*, 1825, p. 176.

⁸ *House Journal*, 1825, p. 17.

⁹ Woollen, *Biographical and Historical Sketches of Early Indiana*, p. 56, Indianapolis, 1883. This is an excellent collection of short biographies, but is uncritical.

he remained firm in his faith in State improvements. He died of cholera in Cincinnati in 1848. He was considered one of the most eloquent men of his day, and it was the ambition of his life to be a United States Senator. The following sentence—the first in his first message¹⁰—illustrates the man and the prevailing idea of oratory: "I am much exhilarated to witness that the great author of nature, the munificent disposer of all human concerns, the omnipotent dispenser of every blessing, has, in the arrangement of his providence, permitted us all to assemble here together, at the capitol of the State, at this time, prepared to enter upon a performance of the most important social duties that are embraced within the power of mortals."

With this message, which required twenty-six pages of print, the agitation for internal improvements began again. Congress had at the previous session offered the State a right of way for a canal. This, the Governor urged, should be accepted at once and a further memorial sent to that body asking a section of land for each mile. This would easily build it. Thus a continuous waterway from New York to New Orleans would be opened across the country. This canal needed to be only twenty-eight miles long. Further, there was a great demand, continued the Governor, for a canal from Lawrenceburg to Fort Wayne. A company in fact was already surveying the route. This improvement should be encouraged by the State, although it had no design on the treasury. A commissioner was then examining White river, and ere long two hundred miles of waterways would there be opened for navigation. Internal improvements were demanded by necessity and the spirit of the times. They must have canals. They were no longer an experiment in the economy of commerce. Withal, these schemes should not be entered into hastily. The situation

¹⁰ *House Journal*, 1825, p. 38.

should be studied carefully. It should be ascertained if the commerce of the locality would justify, beyond a doubt, the outlay. They would make no mistake, in such case, if they borrowed money and laid it out in improvements.

The campaign was not dependent alone on Governor Ray. On July 4, 1825, Ohio started on her canal building projects. Great ceremonies were held that day at Newark, where ground was first broken for the Ohio and Erie canal. Governor Clinton, as the guest of the State, arrived early by the Mt. Vernon stage, and joined Governor Morrow, of Ohio, and General Van Rensselaer. A procession, led by the military, marched out to the selected spot. Judge Minor, as president of the Ohio Canal Commission, placed a spade in the hands of Governor Clinton and another in the hands of Governor Morrow. These men each lifted a spade full of earth and Ohio had embarked on her canal-building career. The crowd was then addressed by the eloquent Thomas Ewing, orator of the day. Later a grand barbecue was served. Seventeen days later Governor Clinton assisted in breaking ground at Middletown for the Miami and Erie canal.¹¹ These celebrations were all recounted by the Indiana press and read with interest by the citizens.

Meanwhile our delegation in Congress, led by ex-Governor Jennings in the House, and William Hendricks in the Senate, were busy. At the session of 1826 a bill, asking a land grant for Indiana, was introduced but not acted upon.¹² This was not a new subject in Congress. The internal improvement policy of the government had been a live issue in national politics for a generation. Jefferson, in his message of December, 1806, had expressed it as his highest ambition, after the constitution had been amended to give him power, to use the great resources of the national government

¹¹ *History of Ohio Canals*, p. 20.

¹² *Congressional Debates*, 1825-'26, II, pt. I, 705.

in developing his country. His Secretary of the Treasury, Gallatin, had spent a year perfecting a plan for a system of canals that would meet all the requirements of our domestic commerce.¹³ As a beginning the Coast Survey had been established and the Cumberland Road projected. A compact and powerful party in the United States backed the internal improvement policy. This party found its support in the Middle States, east and west.

On the other hand the question of a canal at the portage between the Maumee and the Wabash rivers was also an old one. Every statesman of this and the preceding period who was interested in the Northwest had studied the problem of an all-water trade route between the seaboard and the Ohio valley. Washington repeatedly discussed this; and in a letter to his Secretary of War, Henry Knox, suggested the Maumee portage as the most feasible point of connection.¹⁴ The first definite information was based on surveys and observations by Captain James Riley, a United States surveyor. While surveying land for settlement he noted the ease with which the two rivers could be united. He reported to his superior, a report that soon found its way to Congress, that a canal six miles long would connect the St. Mary and Little rivers, from which navigation by the Maumee to Lake Erie and by the Wabash to the Ohio was easy. The swampy prairie through which the canal would run was reported to be so wet that no feeder would be required. This first observation was made in 1818, and during the following season he ran a line of levels. The canal, he thought, would need to be six miles in length. Every public man in the Middle or Western States had his pet project for a route from the coast to the waters of the Ohio. The New York Congressmen, led by Peter Buell Porter, himself a part owner in the

¹³ Adams' *Life of Gallatin*.

¹⁴ *Writings*. IX. *passim*.

monopoly of transportation between Ontario and Erie, stood for the northern route by way of the Lakes and the Hudson.¹⁵ The Pennsylvania delegation favored a route by Pittsburgh and the Ohio, while Maryland and Virginia clung to the Cumberland route. A comparison of Riley's report, which was taken as conclusive, with the facts in the case, shows how unsubstantial the foundation was on which most of these statesmen rested their plans.

The history of the canal system of Indiana begins in earnest with an act of Congress approved March 2, 1827.¹⁶ The party of Clay and Adams driven from power in the nation thus, on the eve of dissolution, bequeathed its principles and its policy to the State of Indiana. This act granted to the State, for the purpose of aiding to build a canal, uniting at navigable points the waters of the Maumee and those of the Wabash, a strip of land one-half of five sections wide, on either side of the canal, reserving alternate sections to be selected by a land commissioner under the direction of the president. In the preceding session of the Indiana Assembly the canal committee had reported a bill providing for a canal board and some surveys. This bill was drawn by James M. Hays, of Parke county, but failed on account of the reluctance of the majority to raise taxes.¹⁷ Surveyor Shriver was surveying the Whitewater for a company organized to build a canal from Lawrenceburg to Fort Wayne.¹⁸

Meantime the settlers on the upper Wabash were clamoring for aid. Produce could not be sold nor could they get goods from any place. Salt was hauled by ox teams from Michigan City at a cost of \$12 per barrel, the trip requiring two weeks. In 1826 a corps of United States engineers,

¹⁵ *Annals of Congress*, 1809-'10, p. 1401.

¹⁶ *United States Statutes at Large*, IV, 236.

¹⁷ *House Journal*, 1826, p. 214.

¹⁸ *Governor's Message, House Journal*, 1826, p. 46.

under the charge of Colonel James Schriver, then at work on Whitewater, was sent to survey the portage at Fort Wayne. All were soon sick and Colonel Schriver died. Asa Moore continued the survey to Tippecanoe, and then down the Maumee as far as the rapids, where he also died in his tent, October 4, 1828.¹⁹

On January 5, 1828, Indiana accepted the gift from the nation and committed the State to the building of the canal.²⁰ Following the practice of Ohio, which had begun a system of canals two years before, the law provided for a board of Canal Commissioners, to consist of three men. These commissioners were to select land, hire surveyors, locate the canal, make estimates, lay off town sites, and finance the undertaking. This board consisted of Samuel Hanna, of Fort Wayne; Robert John, of Franklin county, and David Burr, of Jackson county. The board did nothing more than investigate and report to the next Assembly. The Legislature seemingly had gone as far as it could. When it came to expending money, there was a deadlock. The tax levy of the previous year had netted \$33,000, which barely covered expenses.²¹

Those not directly benefited were reluctant to raise the levy. The sentiment of the State was strong for internal improvements. All parties favored them. "I shall vote for John C. Calhoun because he is the friend and zealous advocate of internal improvements,"²² said Samuel Judah, a leader, at that time, of Jacksonian men in Indiana. A meeting of Gibson county Democrats "resolved that Jackson is and ever has been the friend of internal improvements."²³

¹⁹ Knapp, *History of the Maumee Valley*, p. 397.

²⁰ *Laws of Indiana*, 1827, ch. 7. See also Joint Resolution, ch. 98.

²¹ See Governor's Message, December 4, 1827. The annual message of the Governor may be found in either the *House*, *Senate*, or *Documentary Journal*.

²² *Western Sun*, November 1, 1828.

²³ *Ibid.*, May 10, 1828.

On that platform he carried the State, although the State officers of the opposite party were elected by decisive majorities. The country was delirious with internal improvement fever. The Miami canal was opened from Middletown to Cincinnati, March 17, 1828, and thousands of citizens crowded its banks to see the first boat.²⁴ South Carolina in 1828 chartered three railroads and the capital stock was subscribed in a few hours—the Augusta and Charleston; Columbia and Charleston; Orangeburg and Charleston.²⁵ These advertised to reduce the freight rates on a bale of cotton from \$1.50 to 25 cents. When the Baltimore and Ohio railroad was completed to Gwynne's Falls, the bridge over that stream was dedicated by Charles Carroll, last of the signers, and the bridge was afterward known as the Carrollton viaduct.²⁶ A few days later the Postmaster General visited Baltimore and took a ride on the railroad, reporting that the engine drew twenty-four people fifteen miles per hour with ease.²⁷ Kentucky was surveying a railroad from Lexington via Frankfort to Louisville. Virginia authorized a road from the Shenandoah to the Ohio river. Railroad stocks in this country and Europe soared in value. Those of England alone gained in value over \$40,000,000 in one year. The papers, especially scientific journals, contained little else than news of roads and canals.²⁸

Two of the Canal Commissioners, Burr and John, met on call of Governor Ray at Indianapolis, July 17, 1828, organized, and proceeded to the Wabash; but on studying the law they found themselves without authority.²⁹ A four-years' war opened then in the State Legislature, fought on the

²⁴ *Ibid.*, April 12, 1828, quoted from *Cincinnati Gazette*.

²⁵ *Ibid.*, January 31, 1829.

²⁶ *Western Sun*, January 23, 1830, copying from the *Baltimore Gazette*.

²⁷ *Ibid.*, February 26, 1830.

²⁸ *Journal of Franklin Institute*, vol. 31, p. 384.

²⁹ *Indianapolis Gazette*.

floor in session and in the newspapers out of session. The lowest estimates called for an expenditure of \$991,000. The Whitewater members cared little for the Wabash and hung back for a deal. The Ohio river group opposed openly and stoutly. The speaker, Ross Smiley, of Union county, favored railroads. Governor Ray also favored railroads because of less cost.³⁰ The group that favored the canal, called the "Wabash Band," lacked unity, and were attacked openly by John Ewing, of Vincennes, their ablest member. Mutterings of discontent over high taxes reached all parts of Indiana from the people of Ohio, who were building a great system of canals. Added to this, there was no definite knowledge furnished by engineers. The settlers on the Wabash were impatient lest the State let the land grant forfeit. The members from the South opposed because the State had lost some money in the Ohio Falls canal. But this was a very different work, it was answered. It would require little money, and that was to be furnished by the United States. Why did not the board get to work? No settlers were coming into the valley. No land to the north was surveyed, and that to the south was held up by the President.³¹

The canal committee of the Legislature of 1828, headed by Samuel Judah, of Vincennes, made a lengthy report in favor of canals. There was no longer any question of the utility of canals, he argued. They could be used by any and all persons. Each farmer would be master of his own transportation. New York, Pennsylvania, Ohio, all furnished ample evidence of this. The only question left them for discussion was that of means. The cost would approximate \$1,000,000. This could be borrowed now and replaced later

³⁰ Governor's Message, 1827, in *House Journal*.

³¹ "A Citizen of the Upper Wabash" in the *Sun*, September 20, 1828.

with the proceeds of the land sales.³² The committee again introduced a bill looking toward construction, and again the Legislature turned them down. Some opposed it because they did not think it necessary, others because they wanted more definite information; while a large third party would not run the State into debt for something not absolutely needed. A new board was organized under the act of January 28, 1830, providing means for work. This board consisted of three men, David Burr, J. Vigus, and Samuel Lewis, selected for three years.³³ One of these commissioners had charge of land sales, one of the funds, and one of all accounts. Lands were to be sold for one-fourth cash, balance in seventeen years, with interest at six per cent. The board was empowered to hire an engineer to prepare plans and specifications and personally oversee the work on the ground. For this purpose they hired Joseph Ridgeway, of Ohio, "a man of much knowledge and experience in canalling."³⁴

When the surveys commenced an unexpected trouble arose. Navigable points on the two rivers could not be united without building part of the canal in Ohio. This Indiana could not do. Accordingly, Ohio appointed Willis Silliman its agent to confer with Jeremiah Sullivan with like power from Indiana.³⁵ These men met in Cincinnati October 3, 1829, and agreed that Ohio should take a part of the land grant and dig that part of the canal within her boundary.³⁶ The work was to be done in fifteen years and citizens of either State were to have the same privileges on the whole canal. The ratification of this compact furnished

³² *Western Sun*, January 31, 1829. See also Judah's letter in the *Sun*, December 31, 1829.

³³ *Laws of Indiana*, 1829, ch. 8.

³⁴ Annual Report of Board, *House Journal*, 1829.

³⁵ *Ibid.*, p. 66.

³⁶ *Western Sun*, January 9, 1830.

a theme for discussion during the whole session of 1829-'30. If the agreement was approved it finally committed the State to action. The whole field was again threshed over. A strong railroad party developed.³⁷ By a deal with one of the parties to the Michigan road dispute the canal party finally carried the day and ratified the compact with Ohio.

During the following October land sales began at Logansport and Lafayette. The tracts were put up at auction and spirited competition was shown. The prices, however, were a disappointment. The highest prices at Logansport were \$4.06 per acre; lowest, \$1.25; average, \$1.75. From Lafayette came better reports, lots selling as high as \$6 to \$9 per acre. During the season 42,000 acres were sold for \$75,000, one-fourth of which was cash. By joint resolution of the Legislature the sales were stopped February 10, 1831.³⁸ Two hundred thirty-four thousand acres had been offered and 41,000 sold in 547 tracts or lots. There were no speculators buying.

The people grew more impatient to see digging begin. Ohio refused to ratify the Cincinnati agreement and the railroad party, under the lead of David Hoover, of Wayne county, was strong enough to block the Legislature for a whole session. The supplemental acts of 1832 put the project on its feet.³⁹ Ridgeway had prepared final estimates that the canal complete would cost \$1,081,970. A canal fund was constituted and placed in charge of three commissioners, known as Fund Commissioners. Money was to be borrowed at six per cent., pledging land, tolls, and the faith of the State. The Fund Commissioners were given full power to act, and were required to keep the Canal Board supplied with money. Lands were placed in three classes: First, to sell at \$3.50; second, at \$2.50; third, at \$1.50. Plat

³⁷ *Western Sun*, March 20, 1830.

³⁸ *Laws of Indiana*, 1830, ch. 124.

³⁹ *Laws of Indiana*, 1831, ch. 1, p. 108.

books of this were made, and the Canal Board was to open sales again in October, 1832. Work was ordered commenced on the canal before March 2, 1832.

The board met at Fort Wayne February 22, 1832, and made all arrangements for work. A big celebration had been prepared. J. Vigus was master of ceremonies and used the spade. Charles W. Ewing was orator of the day.⁴⁰ A procession formed, crossed the St. Mary's, moved up to the spot selected, and formed a circle around the speaker. Ewing was of an old Revolutionary family, born in the Genesee country, New York. He had come to Fort Wayne early to practice law, and was the first prosecutor of Allen county.

We are apt to judge the leaders of this period hastily and accuse them of losing their heads. They did make a gigantic mistake, but there are some mitigating conditions. This venture was considered, and held before the public, ten years before work was commenced. Then it was undertaken only in despair of any better means of reaching a market with their produce. A bushel of corn at Indianapolis was worth 12 to 20 cents. On the river board it was worth 50 cents. An ordinary acre of farm land would produce sixty bushels—a loss on each acre, due to lack of transportation facilities, of \$18. On such a basis fabulous arguments can be reared. The loss on one hundred acres was \$1800 annually. The State had within its boundaries millions of such acres whose value and usefulness to the State depended on commercial communication with the world. Now the nation was offering to donate land worth \$1,000,000 toward a canal whose estimated cost was only \$1,100,000, and vest the title in the State. The proposed canal, however, was far to the north of the settled portion of the State, and could never benefit nine-tenths of the people who were to build it. And it was

⁴⁰ *Cass County Times*, March 2, 1832.

only on the tacit agreement, that it was to be the first of a system, reaching all parts of the State, that it was undertaken. It is not the undertaking, but the business method, that comes in for most censure. There were too many commissioners, engineers, staff officers, land agents, paymasters, finance agents in New York, Baltimore, and Boston.

At the close of the year 1832 the Fund Commissioners had \$104,673 on hand. This money was loaned out at various places. Mr. Sullivan had loaned his friends \$9100; McCarty's friends had \$8600; William C. Linton's, \$7753, but the larger part was in the Merchants' Bank, New York City.⁴³ There is no evidence of any system of financial management. Each member did as he pleased with what funds came into his hands. To remedy this, the board hired Samuel Hanna as its disbursing agent, thus transferring its only duty and its only excuse for existence.

Samuel Hanna was perhaps more honorably known in connection with Indiana canals than any other man. He was born in Scott county, Kentucky, October 18, 1797. He removed to Dayton, Ohio, in 1804; kept store and taught school in Piqua. Came to Fort Wayne as a settler in 1818; opened a store later at the corner of Columbia and Barr streets. He brought his goods on horseback from Detroit, or up the Maumee in pirogues. He was agent of the American Fur Company—the Standard Oil Company of those times. He served as State Representative, 1826-'31, also in the session of 1840; as Senator, 1832-'34; as State Treasurer, 1847-'50. Later he aided in financing Fort Wayne railroads and made considerable money as a contractor. He held the first circuit court of Allen county, August, 1824. He died June 11, 1866, one of the most respected citizens of Fort Wayne.⁴⁴

⁴³ *House Journal*, 1832, p. 190.

⁴⁴ Bryce, *History of Fort Wayne*, Appendix.

The act of January 9, 1832, required the Fund Commissioners to borrow \$200,000 for canal work. A bond sale was advertised in Baltimore, Philadelphia, and New York.⁴⁵ J. D. Beers & Company offered to take \$100,000 of State semi-annual six per cent. 20-30 year bonds at 113.26—the bid reading “one hundredth per cent. above any other bid.” The Canal Board began letting contracts March 1, 1832. William Rockhill undertook section one of the middle division.⁴⁶ The canal was divided into sections about one-half mile long, for which the engineers had made full plans and specifications, and then each section was let to the lowest bidder. The first year thirty-eight contracts were made, covering about twenty miles, and calling for \$117,000 in payment. Not to be outdone by the Fund Board, the Canal Board hired Jesse L. Williams to do its work.

Jesse L. Williams was a Quaker, born in North Carolina, in 1807. Five years later he was in Cincinnati. He learned the canal business under Forrer, who came from the Erie to construct the Miami for Ohio. His brother, Micajah, was a commissioner of the Miami canal, and Jesse was chief engineer. He later took charge of the Wabash and Erie in 1832. With Gooding he surveyed the Whitewater canal in 1834; next year all Indiana surveys were placed under his supervision. In 1836 he was made engineer of the State, with 1300 miles of works to oversee. In 1840 he became a member of the reorganized Board of Works. When the old Wabash and Erie was reorganized in 1847, he was made chief engineer. He served the Fort Wayne and Chicago railroad in the same capacity from 1854; was a director in the Union Pacific from 1864 to 1869; after which he built the Detroit and Grand Rapids railroad.

The opposition to the canal gradually melted away till

⁴⁵ *House Journal*, 1832, p. 73.

⁴⁶ *Ibid.*, p. 99.

1834, when there was no active trace of it left. It was then accepted as the settled policy of the State. The question with each locality was no longer, how can we oppose the Wabash and Erie, but how can we get one for our own county or neighborhood.⁴⁷ Every editor had his scheme. Citizens met in mass convention and instructed their representatives to vote and work for various lines. One of these conventions met in Clark's tavern, Vincennes, December 31, 1831. Sam Hill was chairman and General W. Johnson secretary. They resolved that a canal across Knox county from the White to the Wabash river, would be of incalculable value, and appointed a committee to draw up a petition to the Legislature.⁴⁸ Such petitions poured into the Legislature from every locality. A canal down Whitewater was a necessity. White river, Pigeon creek, Mississinewa, Muscakatuck, Eel river, Big Raccoon, from Fort Wayne to Lake Michigan, from Fort Wayne to Muncie, from Muncie to Indianapolis, from Indianapolis to Jeffersonville, from Leavenworth to Lake Michigan, were all urged as very suitable locations for canals. An appropriation was asked to open almost every stream in the State large enough to float a canoe.⁴⁹

Meanwhile the Wabash and Erie crept steadily westward from Fort Wayne to the mouth of the Tippecanoe, which was considered the head of navigation for the Wabash. The long line of huts resembled barracks to a fortified camp; and, if reports are true, the line resembled a camp in another very real way. The diggers were all Irish, and about equally divided between "Corkers" and "Way Downers" from Kerry. Members of the different bands never met without

⁴⁷ See Judge David Kilgore's Speech in Constitutional Convention of 1850. *Debates*, Index.

⁴⁸ *Western Sun*, January 7, 1832.

⁴⁹ *House Journal*, 1834, p. 128; 1835; 1836. See Index, "Petitions."

a fight.⁵⁰ On one occasion four hundred militia were required to stop an impending battle near Lagro, in which four hundred Corkers had armed themselves, and were moving up the line to clean out their enemies.⁵¹ These feuds between Catholics and Orangemen had occurred on all public works of the period, being fiercest at Williamsport and High Rocks on the Potomac, where several were killed and the regular army was called out to keep peace. The board reported that about one thousand men had worked on the canal during the summer of 1834.

After a careful examination of the Wabash river, the commissioners decided that Lafayette should be its southern terminus, and they had already assumed authority to make preliminary surveys. The canal had cost, thus far, \$729,000, and to go down to Lafayette, which, they said, was the great steamboat landing and commercial center of that region, would cost nearly \$100,000 more. The Legislature in 1834 ordered the extension; the canal to cross the Wabash at Ballard's bluff in the pool of a dam. At the Birmingham bluff the canal was to be built out in the river and protected by brush rip-rap.⁵² By the fourth of July, 1835, boats were running on the section west of Fort Wayne, but the tolls were not enough to keep it in repair. Already the wooden aqueducts were rotten. The State finally finished the line, and on July 4, 1843, it was opened from Lafayette to Toledo. The event was fitly celebrated in an oration at Fort Wayne by General Cass.

§2. "THE SYSTEM" OF 1836.

It has been stated above that the opposition to State internal improvement disappeared with the beginning of active work on the canal. The mania rapidly gathered headway

⁵⁰ Helm, *History of Wabash County*, p. 68.

⁵¹ *Documentary Journal*, 1835, p. 18.

⁵² *General Laws of Indiana*, 1834, ch. 16.

after 1830. The time of the Legislature was almost entirely taken with such schemes. In announcing his candidacy for Governor in a letter in the *Indianapolis Journal*, Noah Noble said the object of prime importance to Indiana was the opening of avenues of commerce with the outside world.⁵³ Reports from all canals built in the East were flattering.⁵⁴ The income from the Erie for October, 1832, was reported as \$211,619. It was further said to have added \$50,000,000 to the value of lands in its vicinity. Canal stocks were leading the market.⁵⁵ Schuylkill, par at 50, was selling at 145; Lehigh, at 92½; Hudson and Delaware, at 121. Tolls on the Miami canal in Ohio were already \$6,000 per month and \$30,000 on the Ohio canal.⁵⁶

Interest was not all concentrated on canals. The wider demand was for a means of reaching market with their produce.

The Indiana Legislature of 1832 incorporated no less than a dozen joint stock companies to build various lines of railroads. These included roads from Lawrenceburg to Indianapolis; from Madison via Indianapolis to Lafayette; from Jeffersonville via Salem, Bloomington, Greencastle to Lafayette; from Harrison to Indianapolis via Greensburg and Shelbyville; from Lafayette to Lake Michigan; from Jeffersonville via Columbus, Indianapolis, and due north to the Wabash. These were not the idle dreams of irresponsible adventurers, but on their charters are the names of the best men of the State.

The years during the presidency of Adams and Jackson were an era of great commercial prosperity in the United States. Every resource was being developed to its utmost. Transportation facilities fell far behind the capacity for

⁵³ *Western Sun*, June 4, 1831.

⁵⁴ *Niles Register*, December 1, 1835.

⁵⁵ *Ibid.*, March 28, 1835.

⁵⁶ *American Almanac*, 1835, p. 250.

production. Seaboard prices remained high and steady. Every section was studying the same problem—how to get to market. New York had finished her great canal, but was eager for a waterway from the Lakes to the Mississippi valley. As a result of this work, New York City was rapidly running away from Baltimore and Philadelphia in wealth and population. Pennsylvania was spending vast money to get a canal or railroad through from Philadelphia to Pittsburgh on the Ohio. Baltimore, in conjunction with Maryland and Virginia, was building a canal and a railroad from the Potomac to the Ohio along the old Braddock route. Ohio had taken the suggestion of New York, and had almost completed two magnificent canals from Lake Erie to the Ohio. The echo of all this activity was caught up in the papers of Indiana, and her farmers, already producing two and three times as much as could be consumed, read them eagerly. Borrow money was the argument, and build canals.⁵⁷ The canals would always be worth their cost price and the tolls would not only pay interest and cost, but ultimately they would relieve us of all taxation. The money spent in our midst would return to the State in increased taxes. The Erie had added three times as much to the value of the land as the canal cost. The same report came from Ohio. On the Chesapeake and Ohio, said a traveler, as far as the eye could reach from Georgetown west stretched an unbroken line of canal boats going to Baltimore.⁵⁸

Still, with the sentiment of the State overwhelming for the system, there was a serious political problem to be solved. All realized that there must be some limit to the number of works undertaken. The "Wabash band" were

⁵⁷ Governor Noah Noble's Message, *House Journal*, 1834, p. 12. See further *House Journal*, 1835, p. 12, where the same idea is advanced more boldly

⁵⁸ *Niles Register*, August 30, 1834.

interested in a first-class canal to Lafayette, and a navigable Wabash from there to the Ohio. The Whitewater group—the strongest of the interests—were sure of their position, but wished to hold the State to as few lines as possible so as to insure a rapid prosecution of the Whitewater canal. In the absence of well-organized and disciplined parties, the project was not so easily carried as planned. The session of 1834-'35 was spent in vainly trying to organize the Assembly on this basis. As finally organized, this party controlled every county in the State but seven—Harrison, Posey, Crawford, Switzerland, Hendricks, Perry, and Spencer; and six of these were on the Ohio.⁶⁰ The total voting strength of these counties was always less than ten out of a body of eighty members.

The Whitewater canal was the starting point in all these discussions.⁶⁰ The settlers in the valley—and this valley was the most populous district of the State—as early as 1832 had petitioned for a canal. The Assembly of 1833 ordered a preliminary survey, and this report by Surveyor Gooding was laid before the Legislature December 23, 1834.⁶¹ The valley was reported to be shallow, the fall excessive, requiring a great number of locks. There were many washed banks where the canal would have to be built over the river. The survey began at Nettle creek near Cambridge City in Wayne county, close to the crossing of the old National Road. Thence it passed down the west bank to Somerset at the Franklin county line, where it crossed, recrossing again at Brookville and following the west bank to the Ohio at Lawrenceburg. The length was seventy-six miles, seven dams were necessary, fifty-six locks, and 491 feet of lockage.

⁶⁰ *Documentary Journal*, 1836, No. 5.

⁶¹ For an excellent description of how this law was carried, see speech by Judge Kilgore—*Debates in Constitutional Convention*, 1850. Index.

⁶² *House Journal*, 1834, p. 255.

The estimated cost was \$1,142,126. "The committee on internal improvements were strongly impressed with the utility of canals" and "felt a deep interest for the construction of this one." They argued⁶² that it would give an outlet for Franklin, Rush, Fayette, Henry, Randolph, and Hancock counties, as well as a large part of Wayne, Union, Decatur, and Delaware—a district aggregating 3150 square miles. Produce could be transported by this means at an average cost of \$3.56 per ton as against \$10, the present cost. This would save \$221,000 for the section each year. The water power would turn 318 pairs of millstones. This argument is given in some detail to show the nature of the discussions that occupied the Legislature and the newspapers during the decade from 1830 to 1840.

As above stated, the time of the session of 1834 was taken by the Assembly in framing a bill for a general system of improvements. It developed into a game of legislative seesaw with the Whitewater canal as its center. Every member was willing to vote for the latter provided his own county was not neglected. No system could be determined which it was thought the State could build. When the Assembly of 1835 met, it at once went to work on the unfinished bill. The only fight left over was on the route from Vincennes to New Albany. The influence of the lobby prevailed, however, and it was included.

As a study of the political activity of the times the agitation for this road is worth noting. The movement was started by a letter signed "Knox" in the *Western Sun* in the early summer of 1835. Acting on the suggestion, the citizens of Daviess county met in mass meeting at the courthouse in Washington October 5, and elected John Murphy, George Riddick, Hamlet Sanford, G. C. Hayes, Barton

⁶² *Ibid.*, p. 344. This is a good summary of the argument for and against canals as they viewed them at that time.

Peck, William C. Berry, Abner Davis, and Charles Morgan, delegates to meet similarly appointed delegates, from all other counties interested, at Paoli on October 26, to deliberate on the affair of a turnpike road.⁶³ Joseph McDonald was chairman of the meeting and Abner Davis secretary. They approved the plan of "Knox" and invited Lewis Jones, their representative, to attend the Paoli meeting. Citizens of Floyd county met in convention on October 9 and agreed to the "Knox" plan, and chose Messrs. Tuley, Dorsey, Stewart, Downey, and Porter as delegates to Paoli.⁶⁴ On the 12th of October, the citizens of Knox county assembled at the courthouse at Vincennes, with Dr. Hiram Decker chairman, and A. D. Scott secretary.⁶⁵ After an address by A. T. Ellis, they appointed John Law, H. D. Wheeler, A. T. Ellis, D. S. Bonner, Samuel Emison, John B. Martin, John C. Clark, Benjamin V. Beckes, John Purcell, Andrew Berry, and A. D. Scott, delegates to Paoli. H. M. Shaw, the Senator, and John Meyers and R. N. Carnan, the Representatives, were also invited to attend. Similar conventions met in Harrison, Orange, and Martin counties.

These delegates met in Paoli October 26, with P. N. Dorsey as president. After due discussion it was decided to send a lobby to the Legislature, consisting of one man from each county. For this purpose they chose P. F. Tuley, of Floyd; H. N. Alberson, of Harrison; J. T. Ferguson, of Orange; Thomas Coffin, of Martin; George Fraim, of Daviess; John Murphy, of Daviess; and John Law, of Knox. It was decided to work for a macadam road. Petitions were prepared to be circulated in each county, and a committee of twenty appointed to present this united petition.⁶⁶ The agitation that backed each route provided by the pend-

⁶³ *Western Sun*, October 10, 1835.

⁶⁴ *Ibid.*, October 17, 1835.

⁶⁵ *Western Sun*, October 17, 1835.

⁶⁶ *Ibid.*, October 31, 1835.

ing bill was similar to the above, though usually stronger and more insistent.

On January 27, 1836, Governor Noah Noble signed the Mammoth Internal Improvement Bill.⁶⁷ Taken in all its aspects, its consequences immediate and remote, it was the most important measure ever signed by an Indiana Governor. It carried appropriations aggregating \$13,000,000, or one-sixth of the wealth of the State at that time, fixing the policy and mortgaging the resources of the State for half a century. The act provided that the Governor, by and with the consent of the Senate, should appoint six men to act with the Canal Board already appointed. These men were to serve three years, except that one-third of the first appointees were to serve one year, one-third two years. The Governor in making appointments was to have regard to local situations so that one member should be near each work. This board was to locate and superintend the works provided for, meet semi-annually, and make a detailed report to the Legislature every session. Aside from necessary expenses, each member was to receive \$2 for every day actually and necessarily employed. This board was to take such measures as were necessary to commence, construct, and complete the following works:

1. The Whitewater Canal over the route formerly designated. Also a canal to connect the Whitewater with the Central, from some point near the National Road to some point in Madison or Delaware county if possible; if a canal could not be built, then connect them by a railroad. For these the sum of \$1,400,000 was appropriated.

2. The Central Canal, commencing at the most suitable point on the Wabash between Fort Wayne and Logansport, via Muncietown, to Indianapolis, down White river to the forks; thence by the best route to Evansville. Provided:

⁶⁷ *General Laws of Indiana, 1835, ch. 2.*

the board may select the Pipe creek route and build a feeder to Muncie if thought best. For this there was appropriated \$3,500,000.

3. An extension of the Wabash and Erie Canal from Tippecanoe river down to Terre Haute, thence by Eel river to the Central; or, if the board think best, strike the Central at the mouth of Black creek, in Knox county. For this, \$1,300,000.

4. A railroad from Madison, through Columbus, Indianapolis, to Lafayette. Appropriation, \$1,300,000.

5. A macadamized turnpike from New Albany, through Greenville, Fredericksburg, Paoli, Mt. Pleasant, Washington, to Vincennes; \$1,150,000 appropriated.

6. A resurvey of the route from Jeffersonville via New Albany, Salem, Bedford, Bloomington, Greencastle, to Crawfordsville, to be made before next October. If it be found practicable, construct a railroad, if not a macadamized road; for which \$1,300,000 was appropriated.

7. Fifty thousand dollars was set aside for removing the obstructions in the Wabash.

8. A survey of a canal if possible, if not, a railroad, from the Wabash and Erie near Fort Wayne, via Goshen, South Bend, Laporte, to the lake at Michigan City. This was to be commenced within ten years.

A general fund was provided, to consist of all moneys raised from sale of State bonds, from loans, grants, profits, appropriations, tolls, and rents. The Fund Commissioners were authorized to borrow \$10,000,000 on twenty-five years time, at six per cent. For the payment of this loan, principal and interest, there were pledged, the canals, railroads, turnpikes, all grounds, rents, tolls, and profits, to the sufficiency of which there was pledged the faith of the State. The right of eminent domain was given the board, and it was authorized to purchase for the State any lands made

especially valuable by these works; though no member could buy land within one mile of a canal. The Indianapolis and Lawrenceburg railroad was given the right to borrow \$500,000 on the credit of the State, giving by way of security to the State a mortgage on wild lands. Finally, the State pledged itself to build each and all lines with all haste possible.

The news of the passage of the bill was received with every demonstration of joy. Illuminations, addresses, and bonfires were the order in every city and town from Evansville to Fort Wayne. A general illumination was ordered in Vincennes, and bonfires were built on almost every street corner. A grand procession formed, and, preceded by a band, marched through the principal streets. This was followed by a ratification speech by Sam Hill.⁶⁸ Not only in Indiana, but from Boston to New Orleans, the enterprise and spirit of the young State were applauded. The *Boston Atlas* and *Niles Register*, in long articles extolled the magnificent spirit of progress shown by Indiana, and compared her grand system with the backwardness of Massachusetts.⁶⁹ The editor of the *Western Sun*, Elihu Stout, quoted these and swelled up with pardonable patriotic pride as he "looked down the avenues of future glory for Indiana."

The immediate effect of the measure was to boom every town on the line and cause many new ones to spring up—on paper. R. M. Evans,⁷⁰ Samuel Miller, and John Shanklin soon had an addition to Evansville surveyed and the lots on the market. John Law, William Law, Joseph McCall, and Lucius Scott arranged a second addition to this "terminus of the grand canal system," and by June had five hundred lots advertised. A great sale of town lots was advertised

⁶⁸ *Western Sun*, January 30, 1836.

⁶⁹ *Ibid.*, January 21, 1837, quoting the Eastern papers.

⁷⁰ Evans' brother, who styled himself the promoter of the System, said R. M. Evans made \$40,000 in this deal.—*Sun*, December 31, 1839.

for New London, Daviess county, where the Central canal was to cross White river. Thousands of town lots were thrown on the market at the ridiculously low prices of \$50 to \$200 each; although the land, in many cases, had been bought within the year for \$3 per acre.

§3. CONSTRUCTION.

Pursuant to the act, Governor Noble appointed Samuel Hall, of Gibson; Thomas H. Blake, of Vigo; David H. Maxwell, of Monroe; John G. Clendennin, of Orange; John Woodburn, of Jefferson; and Elisha Long, of Wayne county, as the six new members of the Board of Internal Improvements. The board met at Indianapolis March 7, 1836, with all present but Judge Hall. Maxwell was chosen chairman, unanimously. The board appointed Jesse L. Williams engineer, and requested the Fund Commissioners to place a loan of \$2,000,000. After deciding what sections should be put under contract, the work was distributed so that each member had the work nearest his home under his supervision.⁷¹

The Jeffersonville, New Albany, and Crawfordsville line was assigned to David H. Maxwell, a citizen of Bloomington and one of the best known men of the time. He was a member of the Constitutional Convention of 1816, served in the State Senate from 1826 to 1830, after an apprenticeship of three terms in the House—having been its speaker in 1823. He was intimately associated with the early history of Indiana University, having served as a trustee many years. The Madison railroad was given to John Woodburn, a resident of Madison. To John G. Clendennin, of Paoli, who had served long in both branches of the Assembly, was assigned the New Albany and Vincennes turnpike. Elisha Long, of Brookville, who had represented Henry,

⁷¹ Annual Report, *Documentary Journal*, 1836.

Madison, and Hamilton counties in the Legislature for the preceding decade, and who was to return and denounce the whole business a few years later, took the Whitewater canal. Judge Hall having resigned, Amos Clark, of Evansville, took his place, and received the Evansville section of the Central canal. Thomas H. Blake, an old member of the Assembly, and a resident of Terre Haute, had special charge of the Cross Cut canal. J. B. Johnson, of Lafayette, who had succeeded John Scott on the board in 1834, had the western section of the Wabash and Erie. Samuel Lewis, of Fort Wayne, an ex-member, supervised the eastern section of the Wabash and Erie. To Daniel Burr, who, although a heavy defaulter at his first accounting, was one of the most honorable men connected with the whole affair, was entrusted the Indianapolis section of the Central canal.

The meeting was anything but harmonious. The scramble for the lion's share of the money began as soon as the first meeting was called to order. Each commissioner seemed to be interested alone in getting his work completed as soon as possible. An engineer in chief for canals and an engineer in chief for railroads were hired in addition to a resident engineer, and full corps of surveyors for each line.⁷² The total number of these latter, many of whose positions were sinecures, was about seventy-five, at an average annual expense to the State of \$54,000. This body of workmen was popularly known as the "Eating Brigade."⁷³

After deciding on the general policy of putting only those

⁷² They appointed as resident engineers: Chief, Jesse L. Williams; for roads, Henry M. Pettit; eastern end of Wabash and Erie, Stearns Fisher; central part of Wabash and Erie, L. B. Wilson; western part, Anderson Davis; Whitewater, Simpson Torbert; Indianapolis line, T. A. Morris; Evansville line, C. G. Voorhies; Cross Cut, W. I. Ball; Fall Creek and Erie and Michigan, Solomon Holman; Jeffersonville and Crawfordsville, R. H. Fauntleroy; Madison railroad, E. M. Beckwith; New Albany, Vincennes line, John Fraser.

⁷³ John Dumont, in *Recollections of Early Settlements of Carroll County*, p. 152.

lines under contract that would soonest yield a revenue, the board ordered work to be commenced as follows: White-water, from Lawrenceburg to Brookville, the home of Mr. Long; twenty-two miles of Madison railroad, out of Madison; the Wabash and Erie, west to Lafayette; the Cross-Cut canal, from Terre Haute to Eel river; the Central, along Pigeon creek to Evansville; bridges and grading on Vincennes-New Albany turnpike; Central canal from the feeder above Indianapolis to Port Royal bluffs; and twenty miles of the Jeffersonville and Crawfordsville road. This policy had nothing to back it but the selfish greed of the members of the board.

Work had scarcely begun before a hampering criticism of everything connected with improvements was commenced by the people and the Legislature.⁷⁴ Williams and Burr were accused of being influenced by private parties in laying down the Central.⁷⁵ A powerful party in the Legislature insisted on "classification"—building a single line at a time—but no two sections could unite on what line to build first. The first annual report of the board prophesies plainly the final failure of the system. After reciting that "The system sprung from the reciprocal confidence, harmonious understanding and co-operation of the different sections," the board reported that scarcity of labor had prevented them placing many contracts. The contractors in different sections were bidding against each other for labor and attempting to lure away by extra inducements the better hands.⁷⁶ The people, once the digging was begun, and they saw the many weary years necessary to complete the work, soon awoke from the trance of the canal orator. The land policy of the State and nation, by allowing any one to buy land for a trifle on seventeen years' credit, drew the

⁷⁴ *Western Sun*, January 2, 1836.

⁷⁵ *Western Sun*, June 10, 1837, quoting *Greencastle Plough Boy*.

⁷⁶ *Documentary Journal*, 1837.

more enterprising men away from labor on the works. Above all, the character of the improvements to be made on several lines was still unsettled. Should they build a pike or a railroad on the Madison line? If a railroad, a single or a double track? Should the New Albany-Greencastle line be a pike, railroad or macadam? A special surveyor was ordered, who spent one year on the latter line, and still there was uncertainty. The same question hung over the Vincennes-New Albany line. A large party was at work in the woods and swamps of the northern part of the State trying to settle the question of canal or railroad from Ft. Wayne to Lake Michigan. The same question was yet to be solved on the connecting line from Richmond to Muncie.⁷⁷

Illinois and Michigan were engaged in similar systems and drawing heavily on the labor supply, as well as flooding Eastern markets with bonds. The "System" orators had not only promised there would be no higher taxation, but that soon there would be no need of a State levy at all, as tolls would pay all. Consequently the Legislature made no provision for interest. During the first year expenses mounted up to millions (\$3,827,000), and the interest had to be paid from loans.⁷⁸ On December 28, 1837, and again on the following January 3, the Legislature asked for a statement of interest needed. The long and detailed report by Mr. Williams is sufficient evidence of the airiness of the board. He estimates the final cost at \$23,000,000.⁷⁹ The interest would be, at the standard rate of five per cent which all bonds drew, \$1,150,000. Of this, \$610,000 could be raised by a levy of 23 cents on property of less than \$100,000,000, and \$475,000 from tolls, although the population was much less than one million. From the surplus fund

⁷⁷ Engineer's Report, *Documentary Journal*, 1837 (not paged).

⁷⁸ Report of Board, *Ibid.*

⁷⁹ *Documentary Journal*, 1837, No. 12.

of \$1,500,000 they expected to realize an annual revenue of \$135,000, or nine per cent. clear.⁸⁰ But Governor Wallace assured everybody that the outlook was glorious, plenty of money among the people, although Eastern banks were failing. During the year 1837 over \$1,500,000 was expended, not including \$34,000 for surveyors, or \$70,000 for officers' expenses. Ten separate routes had been surveyed and ninety-eight surveyors were continually in the woods. During the year 1838, \$1,693,000 was spent for digging, with usual incidentals, not including \$170,000 for interest, which put the total near \$2,000,000.⁸¹ On January 24, 1839, Caleb Smith, the fund commissioner, reported that he had expended \$5,000,000.

Governor Wallace, in his message of December 4, 1838, draws a more distressing picture.⁸² The interest, then due, was \$193,350, the revenue of the State was \$45,000 from taxation, from total taxable property of \$146,850,000. "If this condition," says the Governor, "does not startle us, it should at least awaken us." The Governor assured the Legislature, though, that if it would borrow money and invest in bank stock, the State would realize enough to pay out.

The opponents of the improvement system gradually got the attention of the State. Led by Samuel Judah, of Knox county, the question of reorganization and classification was raised in 1838, but without result. The next Legislature abolished the whole organization and placed the financial affairs in hands of two men, each under \$100,000 bond.⁸³ The Internal Improvement Board was reduced to three members, with orders to classify works and build one at a

⁸⁰ *Senate Journal*, 1837, p. 26. Governor Wallace's Inaugural Message.

⁸¹ *Documentary Journal*, 1838, No. 22.

⁸² *Documentary Journal*, 1838, No. 1.

⁸³ *Laws of Indiana*, 1838, ch. 16.

time. But the act came too late. The State was a bankrupt beyond the power of any remedial law.

The system finally broke down in August, 1839, when the board ordered all work to cease. The State at this time seemed to recover consciousness, and began to take stock of its condition. Following the course of the Legislature, it is best to stop here and see what had been done during the three years.

The work on the Whitewater canal commenced first. A big celebration at Brookville September 13, 1836, at which David Wallace, Governor Noble, and Ex-Governor Ray were the orators, ushered in the undertaking.⁸⁴ The work was always pushed more than any other, on account of the great bulk of the population of the State being in that valley. December 15, 1837, the manager reported that the section from Brookville to Lawrenceburg was under construction and half completed.⁸⁵ Nine hundred and seventy-five men were employed, and he was sure the same force would finish the work in two more seasons. December 20, 1838, Superintendent Long reported the canal well-nigh complete to Brookville.⁸⁶ Two large dams had been built—one to form slack water around a bluff; the other at Harrison to form a pool for the crossing. This line was practically finished when the failure of the State required a cessation of work, notice of which was given by Noah Noble, president of the board, August 18, 1839.⁸⁷ In June of this same year, boats had been run as far up as Brookville. From this date, August, 1839, to January, 1840, \$33,420 was spent keeping it in repair.

It will be noticed that the original appropriation for the 116 miles was \$1,400,000, the original estimate \$1,700,000,

⁸⁴ *History of Dearborn and Ohio Counties, Index.*

⁸⁵ *Senate Journal*, 1837, p. 208.

⁸⁶ *Senate Journal*, 1838, p. 256.

⁸⁷ *Senate Journal*, 1839, p. 144.

and the final estimates over \$2,000,000. During its first six months of operation \$670 in tolls was collected. During this same period the gross receipts on the Wabash and Erie were \$4284—enough to pay interest on about \$70,000, and not nearly enough for repair expenses.

The agitation for a canal down White river began almost as early as that for the Wabash and Erie. As early as 1831 a petition was sent to Congress, asking means with which to construct a canal joining Wabash and White rivers.⁸⁸ During the legislative session of 1834, several resolutions on the question of building a canal from Muncie via Indianapolis to the Wabash or the Ohio were presented and discussed. Nothing definite or final was done until the Bill of 1836 was taken up.

Pursuant to the law of 1834, J. L. Williams surveyed the route for the Central canal in the summer of 1835. The plans called for a cut forty feet wide at the surface of the water, twenty-six feet at the bottom, and four feet deep. Six different locations were made. The first tapped the Wabash and Erie at Wabash. It was 103 miles long and would cost \$1,992,224. The second was from Peru via Anderson, was 114 miles long, and would cost \$1,897,797. The third was the same as the first with a side line to Muncie, 124 miles; cost would be \$2,103,153. The fourth started from Peru, with a side line to Muncie; length, 135 miles; cost, \$2,008,726. The fifth from Wabash via Muncie, 130 miles; cost, \$2,153,356. The sixth from Peru via Muncie, 141 miles; cost, \$2,058,929.⁸⁹ These surveys show the hesitancy and lack of knowledge that hindered all the works. During all the summer of 1836 surveying continued along the line. The Indianapolis division was laid off from the dam at Broad Ripple to Port Royal bluff, twenty-four miles.

⁸⁸ *Laws of Indiana*, 1831, ch. 193.

⁸⁹ *Senate Journal*, 1835, p. 250. See also *Senate Journal*, 1836, p. 152.

Also the southern division along Pigeon creek in Vanderburg county, and the Cross Cut at Eel river from Terre Haute to Point Commerce, were laid down.

During 1836-'37, forty-five miles were put under contract at \$611,336. Seven hundred fifty men were at work on the Indianapolis division. When work was suspended by the State, eight miles of the section from Indianapolis to Muncie were finished, sixteen miles immediately south of the capital, and nineteen miles on Pigeon creek. These, together with the Cross Cut, no part of which was ready to have water turned in, had cost the State \$1,820,026. A humorous predicament of the Pigeon Creek section was that, when it was finished, Pigeon creek, which was supposed to feed it, was dry.⁹⁰

During the summer of 1829 Lieutenant Colonel John J. Albert, United States engineer, made a survey of a route for a canal from Fort Wayne to Lake Michigan. These notes, consisting principally of a line of levels, were lost till 1835. On December 14, 1835, Colonel Stansbury, whom the United States government had sent to aid Indiana in laying out internal improvements, made a report to the Legislature, and as a consequence two routes were ordered surveyed.⁹¹ The first route surveyed followed the St. Joseph of the Lakes to where South Bend now stands, crossed over to Kankakee, skirting the edge of the swamp till it struck Yellow river. Leaving Yellow near the east boundary of Stark county, it crossed to Tippecanoe, down its right bank to Monon creek, where it crossed the Tippecanoe, thence down that stream to the Wabash. There was at that time no commerce, no people, and only a few straggling Indians in that country. The distance was 157 miles and the estimated cost was \$1,895,904. The other route

⁹⁰ *Senate Journal*, 1841, p. 13. See *Documentary Journal*, 1835, No. 8, Report of Engineer.

⁹¹ *Senate Journal*, 1835, p. 107.

went far to the north, crossing from the headwaters of the St. Joseph of the Lakes over to Fort Wayne, by way of Pigeon river and St. Joseph of the Maumee. Most of the time of the surveyors was spent in exploring and hunting. During the summer of 1836 the party of surveyers was in charge of S. Holman.⁹² During 1837 a much larger corps was busy, in charge of William B. Mitchell. These continued during 1838. They placed the total cost at \$2,404,-291. During the summer of 1839 a party under William J. Ball was employed taking rain guages, measuring water supply in streams, and locating fountain heads and reservoirs. By the close of 1841 the State had expended \$156,323 on this line and had nothing to show for it but a wagon load of surveyors' field notes.

One among the earliest routes of travel in the State was that from New Albany to Vincennes. The line was first surveyed by John McDonald and John G. Clendennin in 1822. In the *Western Sun*, May 1, 1824, appeared a notice that the United States mail coach would leave Louisville at 12 M., Saturday, April 10, to reach Vincennes at 9 A. M. Tuesday. Fare, \$8. This was a section of a through mail stage line from Washington, D. C., to Franklin, Missouri. The schedule distance from New Albany to Vincennes was 107 miles. By act of January 29, 1830, a company was incorporated to construct a turnpike from New Albany, via Greenville, Paoli, Mt. Pleasant, and Washington, to Vincennes.⁹³ Books were to be opened for popular subscription, those at Vincennes being in Clark's tavern in charge of Samuel Tomlinson, John C. Clark, and James Smith. Nothing was done more than arousing interest along

⁹² For all these surveys see annual reports in *Documentary Journal* for proper year. The *Journals* are all numbered in this paper according to the year in which the Legislature met. There is considerable confusion in the numbers printed on the *Journals*.

⁹³ *Laws of Indiana*, 1829, ch. 43.

the line. During the session of 1834 Mr. Beard proposed to order a survey for a railroad or turnpike from New Albany to Vincennes; but, like all similar measures of that term, it was left over till 1835. How this line came to be in the Mammoth Bill has already been told.

The route was surveyed during the summer by Collins & Watt.⁹⁴ The distance was 105 miles and the grading was estimated at \$4300 per mile; ballasting, \$10,878; total cost of line, \$1,590,747. Work commenced promptly and \$654,411 was expended. The road was built as far west as Paoli, forty-one miles, and twenty-seven miles more were graded. This work proved of considerable local benefit, and under such superintendents as John Frazier, 1844-'47, Michael Riley, 1848, and Joel Vandever, 1850, enough tolls were collected to keep it in tolerable condition.⁹⁵ It never paid a dollar of revenue to the State.

During the sessions of 1830-'31-'32-'33, petitions and memorials were filed asking for some kind of road or canal from the Falls of the Ohio to Lake Michigan. Various routes were proposed. Seth Leavenworth was granted a charter for a railroad from Leavenworth to Indianapolis via Bedford and Bloomington.⁹⁶ The route was surveyed, and, curiously enough, was to stop a mile or so back of Leavenworth on a cliff, and freight was to be lowered to the river on an incline. In 1830 a company was chartered to build a road from the river to Lake Michigan, to be known as the Ohio and Michigan. In 1833 the Legislature memorialized Congress for aid in building this line.⁹⁷ The State gave no financial encouragement to any of these, and one after another they passed.

⁹⁴ *Documentary Journal*, 1835, or *Senate Journal*, 1835, p. 213. The surveyors had just graduated that year from Indiana College.

⁹⁵ Reports are found in *Indiana Pamphlets*, vol. 2, Nos. 4 to 14, inclusive.

⁹⁶ *Laws of Indiana*, 1833, ch. 129.

⁹⁷ *Senate Journal*, 1833, p. 187.

Among the routes ordered surveyed by the Assembly of 1834 was this, and thereafter the State confined its efforts in this section to this line—from New Albany, via Salem, Bedford, Bloomington, and Greencastle, to Crawfordsville. Howard Stansbury was in charge of the preliminary survey.⁹⁸ The actual work was done by Edward Watts, John P. Paul and Fitzhugh Coyle. The line was 158 miles long and the total cost of "graduation" estimated at \$628,581. This meant only an ordinary dirt road. During the summer of 1836, Surveyor Fontleroy was hired to survey the road with a view to building a railroad, which Commissioner Maxwell favored. The report was favorable, but the Improvement Board was not satisfied and ordered Jesse Williams, aided by expert railroad engineers, Forrer from Ohio and Welch from Kentucky, to resurvey.

These men reported that a macadam road would cost about \$2,000,000, and a railroad about \$7,000,000.⁹⁹ The controversy was finally ended by an act of the Legislature, January 25, 1838, which directed the board to build a macadam road.¹⁰⁰ Work was not pushed on this line as on the others. Superintendent Maxwell seems to have had no faith in it. When work was suspended he had expended only \$372,733 and had partly graded the sections from Salem south and from Greencastle north. Most of the money went to surveyors. Four different squads had spent as many seasons on it, and had agreed on nothing. The evidence seems to indicate that hunting and fishing were more congenial than surveying. Of all improvements of the State this line was conducted with least hopes of success.

As has been stated above, there was a great rush for railroad charters during the years 1831-'32-'33. The belief was general that the problem of travel and transporta-

⁹⁸ *Documentary Journal*, 1835, No. 11, or *Senate Journal*, 1835, 115.

⁹⁹ *Documentary Journal*, 1837, No. 19.

¹⁰⁰ *Revised Statutes*, 1838, p. 354.

tion had been solved. Long lines such as the Buffalo and Mississippi and the Charleston, Cincinnati and Chicago were projected. These plans were discussed in interstate railroad conventions. At this time a charter was obtained for the road from Madison to Lafayette. During the years 1834-'35-'36 there was a reversal in public opinion, and a railroad came to be regarded as practicable only when a canal or pike was impossible.

During the summer of 1835 Mr. Gooding surveyed for the State a line for a canal from Indianapolis to Jeffersonville.¹⁰¹ One object of this canal was to furnish a way around the Falls, since it was to have two outlets—one above and one below. There were many obstacles to the construction, but Mr. Gooding finally found a feasible route and estimated the cost at \$3,580,000. The cost staggered even that credulous Legislature and they gave up this line with the consolation, however, that it would soon be built.

In the meantime, Edwin Schenck had finished a survey for the Madison railroad. On this road he estimated that a four and one-half ton locomotive could draw thirty-six tons six miles per hour; or one horse, three and one-half tons, five miles. It was not decided what motor power would be used. Covered wooden bridges were called for in the plans. Flat rails from Liverpool were estimated at \$49 per ton, edge rails at \$59. The bluff at Madison was to be climbed on an incline by means of a windlass. The length of the road was 144 miles, and the first estimates of cost were \$1,666,797.

Mr. Williams, chief engineer for the State, was not satisfied, and during the seasons of 1836-'37 kept a squad of surveyors on the line, and on January 30, 1838, after the State had spent \$445,000, advised the Legislature to aban-

¹⁰¹ *Senate Journal*, 1835, p. 189. Also *Documentary Journal*, 1835, No. 12.

don the railroad and build a pike.¹⁰³ When work was ordered to stop on the road, twenty-eight and one-half miles were completed at a cost of \$1,493,013. The northern end had been converted into a pike, and the section from Crawfordsville to Lafayette was graded.

The Lawrenceburg and Indianapolis railroad, though not strictly a part of the system, was a factor in the deal by which the Mammoth Bill was passed. This railroad had been chartered as early as 1832, but little headway had been made in building. By the terms of the Mammoth Bill, the State was to take \$500,000 worth of stock.¹⁰³ When a halt was called in State work, the promoters of this road had secured \$232,274 from the State. No work was done, and the reports of its officers and their brazen demands on State Treasurer Palmer leave no other interpretation than that it was a well-planned robbery of the State.

§4. FINANCIAL MANAGEMENT.

Under the law of 1831 a board of three Fund Commissioners was appointed, whose duty was to borrow money to build the Wabash and Erie Canal.¹⁰⁴ This board continued under the law of 1836. The board was composed of Samuel Hanna, of Fort Wayne, one of the leading citizens of the State. Another was Jeremiah Sullivan, an Irish Catholic, born in Virginia in 1797, a graduate of William and Mary, who had served in the war of 1812, and later had settled down to the practice of law in Madison, then one of the largest towns of the State. He was a member of the Legislature in 1820, and suggested the name "Indianapolis" for the capital city; he was never an office hunter, but served the State honorably as judge of the Jefferson county

¹⁰³ *Documentary Journal*, 1837, No. 21.

¹⁰³ *Laws of Indiana*, 1836, ch. 2, sec. 25.

¹⁰⁴ *Laws of Indiana*, 1831, ch. 1, sec. 8.

court, and later on the State supreme bench 1837-'46. He died in 1869.¹⁰⁶ The third member of the board was Nicholas McCarty, also a Virginian. Born in 1795, he reached Indianapolis by way of Pittsburgh in 1823. Until the panic of 1837 ruined his business, he was the leading merchant of Indianapolis. His acquaintance with the business men of the East made him a valuable man on the board. He served in the State Senate and afterward, in 1852, made the race against Joseph A. Wright for the governorship. He died in 1854.¹⁰⁶

The business of the board was very poorly managed from the start and finally bankrupted the State. During the summer of 1832, \$100,000 worth of State bonds were delivered to J. D. Beers & Company, Merchants' Bank of New York, on an unfair bid.¹⁰⁶ One-half of these were sold on credit, thus twice violating the law. This is only an example of how all the loans were placed. No books were kept, although the board kept an office in New York where Dr. Coe remained as secretary.¹⁰⁷ Nearly all the loans were placed by Coe and Stapp, who managed the business as if it were only their own private affair.

The annual reports of the Board of Fund Commissioners are not complete or consistent, and little reliance can be placed on them. The State government paid little attention to the board until money began to fail. It seems that bonds were signed and delivered to the several members of the board to sell as best each could. The *Western Sun* of August 20, 1839, says Dr. Coe has succeeded in placing a loan of \$1,029,000 at one per cent. premium. These were sold on credit. Again, the *Madison Banner* says Lucius H. Scott has made a loan in New York of \$600,000. Such notices appear frequently in the papers, but no systematic

¹⁰⁶ Woollen, *Biographical and Historical Sketches*, Index.

¹⁰⁶ *Documentary Journal*, 1835, No. 10.

¹⁰⁷ Dr. Coe in *Indianapolis Journal*, January 28, 1842.

accounts seem to have been kept and no detailed reports made.

The Legislature in the session of 1838 reorganized this department, placing it in charge of Milton Stapp and Lucius H. Scott. Mr. Stapp was born in Scott county, Kentucky, 1793; served in the Battle of the Thames under Colonel R. M. Johnson; came to Madison in 1816 and read law; served in the State Legislature in 1822-'23, and as Lieutenant Governor in 1828; was president of the Madison Savings Bank; mayor in 1850; editor of the *Madison Daily Banner*, 1853. He died in Galveston, Texas, 1869, whither he had gone in 1860.¹⁰⁸

A committee of the Legislature of 1841 thus characterizes his work, and it suits some other members of the board equally well: "Not what has he done wrong, but what is there in his whole business correctly done? His complicated negotiations with Sherwood, Danforth, Dodge, Robinson (wildcat bankers of New York and Ohio), and others, his loans of State property to sustain tottering swindling shops, his antedated letters and receipts, his negligence and confusion in business, his improper connection with brokers, shavers, and swindlers, are facts too glaring to be denied, too grossly wrong to admit of palliation, and too palpably indefensible to invite attack."¹⁰⁹

When work was stopped on the State's improvements in August, 1839, the people at first refused to believe that the State had failed. The business of the State had come to depend so heavily on the money furnished by the Fund Commissioners that it was paralyzed.¹¹⁰ Hundreds of contractors had put all their money into the work and now found themselves unable to pay the laborers whose living

¹⁰⁸ Woollen, *Biographical and Historical Sketches*, Index.

¹⁰⁹ *Documentary Journal*, 1841, pt. I, No. 6, or *Western Sun*, January 28, 1843.

¹¹⁰ *Indianapolis Journal*, March 12, 1840.

depended on their daily wages. The Fund Commissioners reported that money would soon be plentiful, but once the work was stopped the people soon came to recognize their condition.¹¹¹ It was useless to propose any plan for completing the system. When it was learned that State bonds to exceed \$3,000,000 had been delivered, for which the State received nothing, and that the Fund Commissioners were charged with making immense sums of money by dealing in State securities, the people began to demand an investigation.

The election of 1839 was over before the panic struck the State, and the Legislature stood as undecided under the conditions as did the people. But, taking up the murmur of the people, the Legislature, one of very limited ability, and well suited to the clique then robbing the State, attempted an inquest on the defunct system.¹¹² The House called for no less than seventeen formal reports and was completely bewildered by them. Eighteen reports were made to the Senate by the internal improvement officials. The members, through a long session of eighty-five days, discussed petty politics while the stealing continued under their eyes. The patience of the outraged people was exhausted. A petition to the Legislature from Cass county, stating that the Assembly had no capacity for anything other than consuming money, begged that it adjourn at once. The editor of an Indianapolis paper announced its adjournment thus: "This body, after a stormy, protracted, and useless session of eighty-five days, has at last adjourned, and may heaven for all time save us from such another."¹¹³

Before this deadlock Assembly had adjourned both par-

¹¹¹ *Western Sun*, August 31, 1839.

¹¹² *Western Sun*, January 28, and April 1, 1843. A letter from Dr. Coe in *Indianapolis Journal*, January 28, 1842. Letters from foreign creditors in the *Indianapolis Sentinel*, June 17, 1842.

¹¹³ *Indianapolis Journal*, February 20, 1840; *Western Sun*, March 6, 1841.

ties were fencing for position for the contest of 1840. This, perhaps, was the most desperately contested political campaign ever waged in Indiana. Judge Samuel Bigger, of Rush county, who was a graduate of Athens University, had served in the Assembly and on the bench, and was a very eloquent stump speaker, was the Whig candidate for Governor. His opponent was General Tilghman Howard—a native of South Carolina, and a citizen and lawyer of Parke county. Both were good men, and both parties at that time were well supplied with speakers. Among the Whigs were Joseph G. Marshall, O. H. Smith, George Dunn, Albert White, William Herod, Caleb Smith, R. W. Thompson, Henry S. Lane, Othniel Clark, Newton Claypool, Samuel C. Sample, John Liston, Thomas J. Evans, Hugh O'Neill, Schuyler Colfax, John Vawter, Milton Stapp, John Dumont, Stephen C. Stephens, Jeremiah Sullivan, Joseph C. Eggleston, William G. Ewing, James H. Cravens, Johnathan McCarty, John Ewing, George H. Dunn, Samuel Judah, Randall Crawford, Thomas H. Blake, Elisha Huntington, Judge De Bruler, Charles Dewey, and Conrad Baker. The Democrats were represented by such speakers as General Howard, Senator Edward Hannegan, James Whitcomb, Marinus Willet, Findley Bigger, Amos Lane, Thomas Smith, Robert Dale Owen, John Law, Joseph A. Wright, John G. Davis, Paris C. Dunning, Delaney Eckels, Alvin P. Hovey, Andrew Kennedy, John Spencer, Elisha Long, Nathaniel West, N. B. Palmer, General Drake, John Carr, William W. Wick, James Brown Ray, Joseph Holman, and Ross Smiley.¹¹⁴ For near six weeks these men went up and down the State. Joint debates were the order of the day. Barbecues, torch-light parades, and rallies varied the program. It is estimated that forty thousand people gathered at one time on the Tippecanoe battle-

¹¹⁴ Smith, *Sketches*, 350.

ground. The campaign closed with a monster parade in Indianapolis the night before the election. Mr. Whitcomb, later Governor, was to speak on the north side, and Senator O. H. Smith on the south side. After waiting till midnight for the noise to subside, the two speakers left the stand. Bigger was elected by a majority of nine thousand only, though the State gave Harrison a majority of more than thirteen thousand.¹¹⁵

Meanwhile the financial outlook of the State grew darker.¹¹⁶ Rothschilds were demanding interest on their bonds, and contractors with claims, for work done, of over \$1,000,000 were petitioning for relief.¹¹⁷ There was a strong party demanding that State scrip be issued to complete the system.¹¹⁸ The Legislature finally passed an act, January 13, 1840, for their relief, which provided for an issue of \$1,200,000 in treasury notes to pay contractors.¹¹⁹ Ex-Governor Noble had been placed on the reorganized Board of Improvements and was vainly trying to disentangle its business. The State debt was reported by the State Treasurer, Mr. Palmer, as over \$13,000,000.¹²⁰

During the summer of 1839 a plausible plan was hit upon by the Whigs for relieving the State.¹²¹ This consisted in having the national government assume the State debts, at least to the extent of the sales of land made in the State. This plan was proposed in Congress and supported by Senator Smith, but it was killed by an adverse report of Felix Grundy.¹²² The same plan was advocated by Governor

¹¹⁵ *Indianapolis Journal*, August 13, 1840.

¹¹⁶ *Western Sun*, November 23, 1839.

¹¹⁷ *Ibid.*, October 12, 1839.

¹¹⁸ *Indianapolis Journal*, December 11, 1839.

¹¹⁹ *Laws of Indiana*, 1839, ch. 6.

¹²⁰ *Documentary Journal*, 1839, pt. I, Nos. 1 and 8.

¹²¹ *Indianapolis Journal*, August 11, 1840.

¹²² See speech of Grundy, *Congressional Globe*, 1839-'40, Appendix, pp. 223 and 110.

Bigger in his inaugural address in 1840, in which he still clings to the hope that the State may, some way, complete its system.¹²³

The legislative session of 1840-'41 was spent considering plans of classification. From the outset there had been a strong party insisting on building one line at a time. Necessity had now brought the majority to that opinion. The majority of the people were still in hopes that the State could finish the works; and in this faith the classification bill of February 12, 1841, was framed.¹²⁴ It divided all the lines into two classes, of which the Whitewater canal and the Madison and Indianapolis railroad formed the first, and were to be completed at once. Nothing was done under this act, and a year later, the State, in a long, disjointed act of its Legislature, finally brought to an end this nightmare of State canals.¹²⁵ This act provided a superintendent for each line, who might make a contract, if possible, with private companies to complete the work. To any such company, the Governor, Treasurer, and Auditor of State, were empowered to transfer the property of the State.

The Whitewater canal was turned over in 1842 to a company organized to complete it.¹²⁶ It was finished to Brookville in 1843, to Connersville in 1845, and to Cambridge City in 1846. The valley was too steep, and it was found impossible to hold the canal. A flood in 1847 did \$100,000 damage, and the repairs for a single flood in the next year cost \$80,000. The Whitewater valley railroad paralleled it in 1865 and forever put it out of business.

The Madison railroad was leased in 1840 to Branham &

¹²³ *Indianapolis Journal*, February 19, 1841.

¹²⁴ *Laws of Indiana*, 1840, ch. 126.

¹²⁵ *Laws of Indiana*, 1841, ch. 1.

¹²⁶ *History Dearborn and Omo Counties*.

Company for one year, the State to get sixty per cent. of the gross earnings.¹²⁷ An independent company took control in 1843. There followed an era of great prosperity for it. Its total receipts in 1850 were \$687,619, but poor management and manipulation for control, together with the construction of the Indianapolis and Jeffersonville railroad, ruined it.¹²⁸ Although the State had expended near \$2,000,000, it agreed to accept \$200,000, to be paid in four years. As no part of this had been paid in 1855, a committee of the Legislature was appointed to investigate. They reported in favor of compromising for not less than \$75,000, to be paid in State five per cent. stocks then worth about thirty cents on the dollar.

The State sold the Central canal in 1859 to Shoup, Raridan & Newman for \$2425.¹²⁹ This company claimed valuable lands lying near the canal in Indianapolis, and there followed long and expensive litigation.¹³⁰ The company later sold out to the Indianapolis Water Company.

In addition to this the act provided for a State agent to take charge of the State property in litigation in the East. The first of these agents was Michael G. Bright, of Madison. The claims due the State on "hypothecated" bonds aggregated \$3,000,000.¹³¹ Although the State agent worked on these claims many years he realized little more than enough to pay his expenses. His report shows that bonds had been issued to the amount of \$15,000,000.¹³² From these the State had realized \$8,593,000 in cash, while \$4,000,000 was represented by worthless securities. There remained a balance of over \$2,000,000 embezzled by various

¹²⁷ *Ohio Falls Cities*, vol. II, p. 460.

¹²⁸ *Documentary Journal*, 1856, pt. I, No. 5, 1853.

¹²⁹ *Laws of Indiana*, 1859, ch. 110.

¹³⁰ *Fifty-third Indiana Reports*, p. 575.

¹³¹ Governor's Message, *Documentary Journal*, 1841, No. 7.

¹³² *Documentary Journal*, 1842, pt. I, No. 2.

State officers and agents.¹²³ His first report¹²⁴ to the Governor, December, 1842, is sufficient commentary on the dealings of the Fund Commissioners: The Cohen Brothers failing, owed the State \$312,000. In payment of this, they gave the Fund Commissioners their personal notes for \$65,000; cash, \$14,715; bonds of Winchester and Pontiac Railroad for \$46,640; 751 shares of stock in the Baltimore and Ohio Railroad for \$26,000; 1000 shares in American Life and Trust Company; 500 shares in the General Insurance Company, and 230 shares in the Canton Company, all for \$50,000; a second mortgage on 52 lots in the city of Brooklyn, with a sperm and candle factory, at \$65,000; second mortgage on 565 lots in the second ward of New York City and 14 acres of land in Poughkeepsie for \$60,000; an interest in some mining stock for \$1000. It is unnecessary to say this was all worthless property.

The Morris Canal and Banking Company owed the State \$2,536,611. Dr. Coe, one of the Fund Commissioners, was a stockholder in the concern. It had a charter to build a canal from Easton to Newark. It was the worst type of the pirate corporation. On one plea or another it had borrowed an immense amount of money, little of which had been used honestly. Of it, Mr. Bright said: "It is so desperately insolvent that I have no idea we shall ever receive one cent of our debt."

¹²³ Committee report by J. C. Eggleston, *Senate Journal*, 1841, p. 29, or *Documentary Journal*, 1841, pt. I, No. 6. See also *House Journal*, 1841, p. 33, and *Documentary Journal*, 1841, p. 15, for report of House Committee, composed of Edward A. Hannegan, John D. Defrees, William J. Brown, Joseph Ritchey, John S. Davis, Ethan A. Brown, Joseph G. Marshall, and John S. Simonson. They recommended that suit be filed against Stapp and Coe at once for malversation.

¹²⁴ *Documentary Journal*, 1842, p. 1. For further accounts see Stapp's Report, *Documentary Journal*, 1841; Noble's Report in the same; also Report of Internal Improvement Board, *Documentary Journal*, 1837, No. 12, for an instance of the board's methods of doing business.

The Bank of Western New York, at Rochester, was one of the brood hatched by the free banking law of that State in 1838. Its promoters obtained on credit from Dr. Coe the \$300,000 worth of bonds necessary to organize the bank. They paid, later, \$60,000 on the account and gave Dr. Coe a mortgage on some land in Georgia worth \$1,000,000 for the balance. Bright hoped, if the mortgage proved valid, to realize \$50,000 on it.

Another of the same banking brood was the Erie County Bank, organized by the Sherwoods, in August, 1838, on bonds furnished by the State of Indiana. M. B. Sherwood was one of the most consummate criminals in the whole history of wildcat banking. He obtained from the Fund Commissioners, all told, \$1,300,000 worth of Indiana bonds. The second sale to Sherwood was for \$200,000 at 96, and was credited to the Morris Canal Company at 88. The eight per cent. was lost to the State and shared between Dr. Coe and the Morris Canal Company. The third sale, of \$200,000, was made by General Stapp, who accepted in payment Gallipolis (Ohio) wildcat banknotes. To fill up the measure of duplicity, \$530,000 worth of bonds were loaned outright to Sherwood. When his creditors pushed for a settlement he fled the country. On this account the State lost over \$500,000. It is not necessary to go into details concerning the transaction with the Binghamton Bank, by which the State lost over \$50,000; nor into the dealings with Hiram Pratt, who started a bank, and who borrowed \$50,000 in Indiana bonds from the Fund Commissioners, but who shortly afterward died, owing the State \$35,600; nor the operations with the Bank of Commerce to the extent of \$48,125; nor with the Bank of America on which the State lost \$50,000; nor those with the Bank of Newburyport; nor those with the Bank of Circleville; nor those with the Merchants' Exchange Bank of Buffalo; nor those

with Ruben Dodge, a wildcat banker from Maine. There can be but one construction placed on these cases. Most if not all these bonds passed through the hands of the Morris Canal Company. They are reported as sold to them at 88. In fact they were sold to the parties named at 96, before they were credited to the Morris Canal Company. The Morris Canal Company divided the 8 per cent. profit with Dr. Coe. Whether or not the latter paid anything to General Stapp does not appear. It is probable that he was deceived by the New York broker and Dr. Coe. It looks very much as if he was the lamb and Dr. Coe the shears in the hands of those early Wall street shepherds. The North American Trust and Banking Company was an allied company to the Morris Canal Company; and the Staten Island Whaling Company became involved through the same firm of brokers, the Morris Canal and Banking Company. On the trust company the State lost \$175,000, and on the whaling company \$60,000.¹³⁵

As instances of the ways by which the State was defrauded at home by the men working on the canals, the reader is referred to the case of Edward M. Beckwith, resident engineer on the Madison line. He systematically

¹³⁵ Suits were filed against seventeen firms in the East during 1841. These cost the State in attorneys' fees \$10,000. *Documentary Journal*, 1841, pt. II, No. 17. Repudiation was seriously considered.

See *Indianapolis Journal*, June 15 and 25, 1841.

See *Documentary Journal*, 1841, pt. I, No. 6. This is a report by a special committee of the Senate on all the agents of the State by J. C. Eggleston, S. W. Parker, T. D. Baird, N. West, E. M. Chamberlain. It covers six hundred pages, and is the best criticism of the period.

Dr. Coe testified that he was a stockholder in the Morris Canal and Banking Company, to which he sold State bonds and on which the State lost heavily. He traded in State stocks and used the same for his own benefit as collateral security, thus making money. He told James Farrington that he made about \$10,000 in one deal, acting at the same time as buyer and seller of State bonds. He made a profit of \$1500 in cashing State bonds for Toucey to the amount of \$100,000, using funds of the State. He was a stockholder in the

overestimated his surveys and divided the profits with the successful bidder on the contract for construction.¹³⁶ On a resurvey, it was found he had thus caused the State to be overcharged to the extent of \$15,000. The case of Joseph H. Hendricks, a contractor, illustrates another class of losses. Hendricks filed a bill for damages, claiming that he had been compelled by the engineer to do extra work for excavation to the amount of \$920; on embankment, \$15,000; arbitrary charges, \$3000; protecting State road, \$4000; slippery banks, \$4400; all told, \$30,320. After a trial that cost the State \$1825—the surveyor getting a fee of \$850 for extra surveying—Hendricks got a judgment for \$887.¹³⁷ I have already mentioned the army of sinecures, popularly known as the “eating brigade,” which numbered from sixty to one hundred of the highest salaried officers. These cost the State about \$60,000 annually.¹³⁸

Morris Canal and Banking Company. Its books showed to his credit:
 Commission of 5 per cent. on a sale of \$400,000 bonds.....\$ 20,000
 His half of profits on sale of \$280,000 bonds..... 11,200
 His 398 shares at par—when worth only 15 cents..... 33,680
 Canceled his own note..... 39,000

Total\$103,880

Thus he received \$103,880 from these people, on whom the State lost several millions. He was also a stockholder and director in the Staten Island Whaling Company, on which the State lost heavily.

¹³⁶ *Documentary Journal*, 1839, pt. I, No. 2. See also the case of General Long, *ibid.*, No. 6.

¹³⁷ *Documentary Journal*, 1839, pt. I, No. 2.

¹³⁸ *Recollections of Carroll County*, Index, Internal Improvements.

NOTE.

INDIANA'S BONDED DEBT IN 1841.

Date of Loan	Amount	To Whom Sold	Inter- est	Sale Price	Cash	Still Due
1832	\$100,000	J. D. Beers Company..	.06	113	\$113,260	
1834	500,000	Prime, Ward & King...	.05	101	505,250	
1835	300,000	Prime, Ward & King...	.05	102	306,150	
1835	65,257	Secretary of War.....	.05	107	69,825	
1835	200,000	J. J. Cohen & Bro.....	.05	105	210,000	
1835	400,000	J. J. Cohen & Bro.....	.05	104	418,000	
1835	90,000	Prime, Ward & King...	.05	104	94,250	
1836	100,000	J. J. Cohen & Bro.....	.05	100	100,000	
1836	2,742	Secretary of War.....	.05	101	2,934	
1836	440,000	Biddle and Morris C.Co.	.05	101	444,400	
1836	400,000	J. J. Cohen & Bro.....	.05	100	400,000	
1836	589,000	Biddle and Morris Can.	.05	101	594,890	
1836	100,000	Law. & Indpls. R.R. Co.	.05	100	100,000	
1837	30,000	Christmas, Livingstone.	.05	100	30,000	
1837	2,000,000	Morris Canal & Bnk.Co.	.05	102	2,034,000	
1837	121,000	Law. & Indpls. R. R. Co.	.05	100	121,000	
1838	40,000	Staten Isl. Whaling Co.	.05	100	40,000	
1838	300,000	Western Bank of N. Y.	.05	100	60,000	240,000
1838	100,000	Erie County Bank .....	.05	100	100,000	
1838	100,000	Detroit & Pontiac R. R.	.05	100	10,000	90,000
1838	60,000	Staten Island Whaling.	.05	100		60,000
1838-9	4,702,000	Morris Canal Co. ....	.05	90	2,136,376	2,385,383
1839	20,000	Binghampton Bank....	.05	88	17,600	
1839	294,000	Indiana State Bank....	.06	100	294,000	
1839	200,000	Merchants Exch. Bank.	.05	96		192,000
1839	35,000	Bank of Commerce ....	.05	96		33,600
1839	47,000	Bank of North America	.05	88	1,360	40,000
1839	221,000	Madison Company.....	.05	88	194,480	
1839	95,000	Madison Company.....	.05	88	83,600	
1841	30,000	Various persons.....	.07	100	30,000	
1841	404,000	Various persons.....	.05	100	131,175	*
1841	665,000	Various persons.....			144,697	*
\$12,751,000					\$8,732,205	\$3,040,972

*Loaned as collateral.

There was nearly \$2,000,000 in bonds out and unaccounted for. The Fund Commissioners had taken collateral securities for money still due on bonds "hypothecated." This list of the State's property furnished much amusement for facetious members. It included among others:

Winchester & Potomac railroad bonds for \$44,000; Baltimore & Ohio, and Baltimore & Susquehanna railroad bonds for \$78,880; second mortgage on 184 New York City lots, \$25,000; second mortgage on forty-eight Brooklyn lots, \$150,000; second mortgage on land in Poughkeepsie, \$30,000; debts on wildcat banks of western New York, \$240,000; Detroit & Potomac railroad bonds, \$90,000; Erie Company Bank, \$587,000; Binghampton Bank, \$58,200; Hiram Pratt, \$35,600; Circleville (Ohio) Bank.

(See table opp. p. 75, *Documentary Journal*, 1841-'02.)

IV.

FAILURE OF THE SYSTEM.

§1. THE SETTLEMENT WITH THE CREDITORS.

The Wabash and Erie Canal was a more difficult problem to dispose of than any of the other works of the State. In the first place, the State had accepted a large donation of land from the United States on condition that it build a canal uniting at navigable points the waters of the Wabash and Lake Erie. Although the State did not fear any punitive measures on the part of the federal government, still the violation of the obligation would remain a disgrace to the State. In the second place, the State had covenanted with Ohio to complete a part thereof as a joint undertaking. Ohio had completed her part of the canal, carrying it to Maumee Bay, Lake Erie, in 1843. At the instance and insistence of Indiana, Ohio had built seventy-one miles of canal whose value depended very largely on Indiana's fulfilling her obligations.

The Wabash and Erie was opened, as stated above, from Lafayette to Lake Erie, in 1843, and everything indicated that it would be a useful and money-making property. The people, as well as their creditors, had looked forward hopefully to the opening of the canal to the lake. They expected an income from it that would go far toward relieving the State of its financial troubles. The bondholders, who had received no interest on their bonds for three years, expected to receive their interest again regularly. Both parties were disappointed. Although the tolls did increase five hundred per cent., they still fell short of paying the running expenses of the canal. The year 1844 brought no brighter prospects. A flood closed the canal for two months. The receipts for the year fell far short of repair expenditures,

and the bondholders saw this hope depart, as all others, without bringing any money.

The Legislature of Indiana and many of the citizens were loud in their protestations of honesty, and there is no doubt public sentiment favored the ultimate payment of every dollar of the State debt. "Humiliating as was the task," ran a report of the Committee on Ways and Means of the House, January 17, 1846, "candor, and a sense of justice, required that we should acknowledge our liabilities and assert our willingness to discharge them, as soon as our resources could be rendered available. This we have done with the fond hope of avoiding the charge of intentional repudiation made by a few thoughtless and ignorant persons. For the last five years, the question has been one of ability only. Never have the people suffered it to become one of common honesty, and we are satisfied, that in no part of the State could they be induced to tolerate the thought of repudiation even for a moment."¹ General Joseph Lane exclaimed in the Senate that he would cut cordwood to pay his portion of the debt rather than see his State dishonored.² When Edward A. Hannegan, of Covington, then United States Senator, heard that our bonds were selling for 17 cents in New York, he exclaimed in a speech referring to repudiation, "I would sooner part with my last cent and divide my last crumb of bread than sully the honor and fame of Indiana or sanction a principle so abhorrent to all ideas of justice or so dishonorable when practiced by men or nations." Governor Whitcomb said in his message of 1844 and 1845, that the great mass of our fellow citizens were willing and anxious to meet all their just obligations. That with them it was not a matter of in-

¹ *House Journal*, 1845, p. 574.

² Nathaniel Bolton, *Early History of Indianapolis and Central Indiana*, p. 27.

clination, but one of ability.³ That some arrangement would be made with their creditors and the tarnished reputation of their State restored, he would not permit himself to doubt.

By a joint resolution January 13, 1845, the Legislature solemnly expressed its opinion on repudiation: "We regard the slightest breach of plighted faith, public or private, as an evidence of a want of that moral principle upon which all obligations depend: that when any State in this Union shall refuse to recognize her great seal as the sufficient evidence of her obligation she will have forfeited her station in the sisterhood of States and will no longer be worthy of their respect and confidence." The Governor was directed to transmit copies of this resolution to all the States.⁴ On the other hand, in this same message, page 18, the Governor says: "The opinion has hitherto been nearly, if not quite, universally held among our citizens, as well as others acquainted with our conditions and resources, that it is beyond the power of our State, at present to fully meet our obligations. Even the plan submitted at our last session of the Senate, virtually made that concession by proposing to convert our bonds, bearing five per cent. interest, into a stock bearing only three. No plan that has been mooted for a resumption of payment, even the most stringent, has contemplated a full and immediate payment." In speaking of all these fulsome protestations, State Auditor Harris said: "It would be fortunate for the reputation of the State as well as gratifying to her creditors should this evidence consist hereafter of some definite action, rather than general expressions of legislative opinions." Not one of these demagogues who harangued about State honor ever showed enough courage to vote a measure to retrieve the State's honor. They feared the sullen resentment of the

³ *House Journal*, 1845, p. 19.

⁴ *Laws of Indiana*, 1844, p. 92.

outraged citizen voters who felt that somehow the State had been swindled and that it did not justly owe the debt.

Relying on this sentiment, widely and loudly expressed, and still hopeful of getting their money, the bondholders banded together and hired Charles Butler, an attorney of New York, to look after their claims. After visiting Michigan on a like mission, he reached Indiana in the summer of 1854.⁵ His plan was to rally the anti-repudiation sentiment by means of a series of public addresses. He recognized it as useless to demand an immediate and unconditional payment of the bonds. The resources of the State and the condition of the currency, demoralized by floods of treasury notes, bank scrip, "white dog," "blue dog," and "blue pup," all depreciated from forty to sixty per cent., were such that it is doubtful if this could have been done. He began then by flattering the people on the Wabash with the hopes of finishing that canal to the Ohio river. Whether he believed the canal so improved would be a paying property, or whether he wished merely to revive the courage of the people, is not known. In the face of the facts as he knew them, the latter seems to have been his intention, hoping in the future to get the State to pay the bonds in full and take charge of the finished canal.

He began his campaign at Terre Haute, where in an address in May, 1845, he proposed to divide the interest on the State debt into two parts, one of which should be paid by the State, the other from the revenues of the canal. This seemed like a favorable proposition, at first, but the Legislature at its previous sessions had discussed propositions to pay three per cent. on its bonds but had disapproved of them because of the State's inability. In Butler's proposition the bondholders would at least have the advantage of a forlorn hope—if the canal ever did become dividend paying, they

⁵ *Indiana Democrat*, December 5, 1845.

would get something. Articles began to appear in different papers, discussing old and suggesting new plans of meeting the State's obligation. The suggestion of completing the canal to Evansville was especially attractive, and a convention of its friends met at the latter place, November 4, 1845.⁶ This convention seconded the plans of Butler and favored asking the bondholders to advance enough money to finish the work, taking, as security, the canal and the donated lands. These views were transmitted to the Legislature in a memorial. The question of the settlement of the debt had some influence on the fall elections, but not so much as was hoped. There was a general restlessness among the people, under the charges of repudiation then being made against the State, but no sweeping sentiment for full payment could be aroused.

Mr. Butler arrived in Indianapolis early in December, 1845, opened headquarters, and began his labor with the Legislature by an address to the Governor.⁷ Therein he set forth clearly the case of the bondholders. They had had no interest for five years; the State had not made any effort to pay anything; the bondholders were at least entitled to the rents and tolls of the canal, but they were not getting them. The bonds of the State in many cases were in the hands of people who depended upon them for a living, and many of them were sorely inconvenienced; the people of the State were prosperous; the bondholders could not sue the State, had no way to collect the debts, and must await their voluntary payment by the State. They did not doubt the people's disposition to pay, and were confidently expecting every dollar of principal and interest. They thought Indiana, like Pennsylvania, should pay its foreign debt first. These were oldest and should have priority. Illinois had made a special

⁶ *Tippecanoe Journal and Free Press*, Lafayette, November 20, 1845.

⁷ Letter of Charles Butler, December 11, 1845, Indianapolis, 1845; also *Indiana Democrat*, December 5, 1845.

levy to meet the interest; so, also, had Ohio. Indiana should do as much. The bonded debt was only \$11,090,000, and a levy of 30 cents on the \$120,000,000 of taxables and 75 cents on the 115,000 polls, would pay the \$556,000 of annual interest. Already there was arrears of interest to the amount of \$4,053,000. Was this not a good time to begin?

It was at once arranged to have Mr. Butler meet a joint committee of the Legislature, as it was understood he had a specific proposition to make. On December 19 Mr. Butler met the committee and he submitted his plan as follows:

1. For arrears of interest, the State should give certificates payable by 1851; or if not paid then, to be funded into five per cent. stocks.

2. The State should pay, by taxation, three per cent. interest on the debt up to 1851.

3. All arrears of interest up to 1851 to be funded at five per cent. After 1851, three per cent. interest to be paid promptly by tax and two per cent. from tolls of the canal. It was understood that the State was to finish the canal to the Ohio river.⁸

In a message, December 27, 1845, the Governor urged the Legislature to accept Butler's proposition. It would place the credit of the State on a certain basis; it would aid returning prosperity; it would turn the tide of settlement to our State again, thought the Governor.⁹

It did not take the joint committee long to come to an agreement. On Christmas day it notified Mr. Butler that it could not accede to his demands and inquired if he had anything better to propose. The attitude of the committee was not at all creditable. They seemed to be negotiating for a

⁸ *Indiana Democrat*, December 23, 1845. Also *Documentary Journal*, 1845, pt. II, No. 21.

⁹ *Documentary Journal*, 1845, No. 8, p. 18.

bargain with their own creditors rather than trying to uphold the honor of the State.

The next day Mr. Butler was again before the committee and made what is known as his second proposition. It differed very little from the first. He agreed to accept two per cent. interest up to 1853, arrears to be funded as before. After that time the State was to pay half the interest on the bonds, and the bondholders to look to the canal for the other half. The State was to pay all the principal as before. In fact, Mr. Butler's first proposition was that the State would have to pay every cent of its indebtedness, sooner or later, and he never proposed anything else. He was not authorized, he said, to make any terms that did not include ultimately the payment of the last cent. As in the first proposition, so in this, the State was expected to finish the canal to the Ohio river.¹⁰ Elaborate tables were submitted showing how the State could meet all its obligations. One could not fail to agree with Butler, that the State was able to meet all its obligations honorably, except for two reasons. These were, first, the demoralized condition of the currency, and second, the leadership of a clique of oily politicians. Neither of these reasons is creditable to the State. A State levy of 70 cents would have paid principal and interest. Ohio was meeting her debt in that way. Indiana would have done no less had her Legislature risen to the occasion.

A bill was finally drawn along the lines of Butler's propositions and introduced in the Senate by Joseph Lane,¹¹—the same man who had declared he would cut cordwood to pay his part of the debt. Evidently his part was transferred to the canal, as we do not hear of his cutting any wood. The measure engrossed the attention of the Assembly completely. The House was Democratic, the Senate Whig.

¹⁰ *Documentary Journal*, pt. II, No. 21.

¹¹ *Indiana Democrat*, January 6, 1846.

There was little straightforward policy manifested in either branch. Both parties finally agreed to postpone action on the bill till after the party conventions on the 9th of January. Even after both parties in convention had endorsed the Butler bill, the Democrats in caucus decided to refer the whole matter to the people in the August elections. The Governor and leaders of the party succeeded in breaking the Democratic caucus. The bill finally passed the House January 14, 1846, by a vote of 61 to 33. Three days later it passed the Senate by the decisive vote of 32 to 15. An analysis of the vote does not show that politics influenced the members to any appreciable extent. January 19, 1846, Governor James Whitcomb attached his signature to the bill, along with those of John S. Simonson, speaker of the House, and James G. Read, president of the Senate, and the bill became a law. General satisfaction was felt, no doubt, throughout the State at what was felt to be a final adjustment of the State debt. Butler left for New York, February 20, and the New York papers generally expressed approval of the settlement.¹² Butler, they said, got as much as possible out of a bad bargain, while the State paid all it could. On the 16th of July Butler started to England to report his success to the English bondholders.

In order to understand and appreciate the law of January 27, 1847, which entirely superseded this one, it is necessary to explain this bill in detail. The long law of thirty-five sections was very carelessly drawn, and was soon found to be impossible of execution. It provided that the bonded debt should be refunded entirely. The old five per cent. bonds were to be surrendered and in their stead new State registered stocks created. First, there should be issued State two and one-half per cent. twenty-year registered bonds equal in amount to the face of the old bonds. Second, the

¹² *Indiana Democrat*, April 14, 1846.

arrears of interest should be funded, at the rate of two and one-half per cent. from 1841 to 1847, inclusive, in like bonds as the principal. The State agreed to pay interest on the above bonds at the rate of two per cent. if a State tax levy of 25 cents on the \$100 and a poll tax of 75 cents should furnish sufficient funds after the ordinary State expenses were paid. The remaining one-half per cent. and any arrears by reason of the failure of the above tax levy to bring in sufficient revenue were to be funded or paid as the State should choose January 1, 1853. For the payment of the remaining two and one-half per cent. of annual interest the bondholders were to look entirely to the Wabash and Erie canal. In order that the canal might be more productive, the bondholders were given permission to raise a sum of not less than \$2,225,000 to complete the canal to the Ohio river. The canal was to be placed in trust by the State, and its earnings and land grants set aside and pledged to the payment of the bondholders. These last loans were not to become a debt chargeable against the State, though in this law the State remained pledged to pay the principal of the entire State debt. The only avenues left open by this law whereby the State could avoid payment of the whole debt was that by which one-half the interest was transferred to the Wabash and Erie Canal, and the one couched in the thirty-second section whereby the State reserved the option of calling in, at the State's pleasure, all stocks issued under this law and again funding them, one-half to remain a charge on the State, the other half to be a charge on the canal, and for which the State assumed no liability.¹³ As

¹³ *Laws of Indiana*, 1845, ch. 1. Benton (*The Wabash and Erie Canal*, p. 72, n. 45), is mistaken in stating that the State had an option on the old bonds. The "joker" in Sec. 32, applied solely to the refunding bonds of 1846, none of which were ever issued. All bonds of which I have found any account were issued under the law of January 27, 1847, in which there is no "option." This latter act purports to be an amendment to the one of 1846; in reality it is an entirely new act.

indicated before, this law could not be executed. The bondholders had lost enough money without investing the \$2,225,000 called for under the law. No bonds were surrendered under it.

When the Legislature convened again in December, 1846, Mr. Butler was on the ground demanding some amendments. A bill purporting to be an amendment was drawn, and after a long struggle received the Governor's approval January 27, 1847.¹⁴ The new bill was founded on the option contained in the thirty-second section of the previous law. Its general effect was to divide the outstanding bonds of the State, except those known as the Bank bonds, into two equal parts. One of these parts, with its accumulated interest, was assumed by the State, and the other was made a debt on the canal for which the State assumed no further responsibility. The canal was deeded to the bondholders and they were forced to accept the compromise. The conditions of the compromise close with the following notice to the bondholders: "The State will make no provision hereafter to pay either principal or interest on any internal improvement bonds until the holder shall first have surrendered such bonds to the agent of the State and shall have received in lieu thereof certificates of stock as provided in the first section of this act. Anything in this act to the contrary notwithstanding."¹⁵ This proviso makes the law of 1847 very different from the harmless one of 1846. It must also be kept in mind that the provisions of this law are not the same as those laid down in Butler's first or second proposals.

The outstanding bonded debt of the State July 1, 1847,

¹⁴ *Laws of Indiana*, 1846, ch. 1. Benton (*Wabash Trade Route*, 73) calls this bill a "few minor modifications," and leaves the impression that there was no opposition worth considering. In fact, the fight on this was longer and more acrid than on the other.

¹⁵ *Ibid.*, sec. 8, second proviso.

was \$11,048,000.¹⁶ These bonds were held in New York and London and the debt was always referred to as the foreign debt, in distinction from the State scrip and treasury notes, which were called the domestic or floating debt. The interest on the bonds had not been paid for six years, and the arrears added to the principal brought the total foreign debt up to \$13,120,692. In lieu of these, when surrendered, the State issued:¹⁷

State five per cent. twenty-year registered stock..	\$4,922,500
State two and one-half per cent. twenty-year de- ferred stock	1,810,380
Canal five per cent. stock.....	5,295,837
Canal five per cent. deferred stock.....	1,437,043

The State agreed to pay four per cent. interest on the State five per cent. bonds and to fund the other one per cent. in State two and one-half per cent. bonds drawing no interest until after 1853. It agreed to pay the four per cent. interest only if the twenty-five cent. tax levy produced sufficient revenues. The bondholders had to furnish at least \$2,225,000 more to finish the canal; but it was not made imperative that all should subscribe. Indeed, a great many of the bondholders were poor and had their last dollar in the bonds. The latter, who refused to subscribe to the fund to complete the canal, received deferred canal stocks, while those who subscribed received preferred stock. Interest and principal of the preferred stocks were paid first, and if anything remained of canal earnings, then interest and principal of the deferred stocks were paid. The State thus found itself relieved of all its debts except \$6,732,880.

¹⁶ *Documentary Journal*, 1847, p. 102. Report of Agent of State.

¹⁷ *Documentary Journal*, 1855, Auditor's Report. See also report of State Agent, *Documentary Journal*, 1847, p. 102. The discrepancy between the total debt as given and the amount of bonds issued is due, perhaps, to interest accumulated between the two dates.

In spite of the proviso in the law of 1847 that no provision would ever be made for the payment of bonds not surrendered, six years after the law was enacted nearly \$1,000,000 in bonds had not been surrendered, and \$191,000 never were.

If Indiana can be charged with repudiation, it must be done on account of this law of 1847. No one will for a moment contend that the bondholders would have preferred the arrangement of 1847 to the payment of the bonds according to their tenor. The bonds at this time were never quoted higher than thirty cents on the dollar. Yet they were not depreciated more than the debt which the United States paid in 1789. Even at thirty cents, men like John Jacob Astor and the elder Belmont bought Indiana bonds and exchanged them for the new five per cent. stocks, and made a good profit. Two facts stand out prominently. The State made a bargain with its creditors, and its creditors lost half their invested money. Two parties were deeply wronged: the poor people who had invested their earnings in State bonds expecting to enjoy in their old age the comforts of a certain income;¹⁸ and the good people of Indiana who had entrusted their credit and honor to their government, and had been robbed of both. For it cannot be denied that the reputation of Indiana suffered greatly in this transaction. Nearly all the Indiana bonds then outstanding had been taken out of the State's hands wrongfully by being sold on credit in the face of a law to the contrary. More than one-third of the bonds had been secured from the State in the first instance by criminal collusion, the agent of the State being at the same time a member of the

¹⁸ *Documentary Journal*, 1845, pt. II, p. 273. A memorial from the New York Savings Bank. This pictures some of the suffering caused by the State's failure to pay its interest promptly. See also letters from foreign creditors to Governor Whitcomb, *Indianapolis Sentinel*, June 17, 1842. See also *Documentary Journal*, 1844, pt. I, No. 5, *Indianapolis Sentinel*, June 17, 1842.

firm of brokers who took the bonds, sold them, and failed to pay the State the proceeds. The State of Michigan was similarly swindled, and promptly repudiated the bonds so obtained. This step was seriously considered in the Indiana Legislature during the session of 1845-'46, and might have been done but for the opinion of the State Agent, Michael G. Bright, who advised the Legislature against it. "The State," he said, "has approved the illegal sales by paying interest on them and trying to collect what was unpaid after the State was apprised of its agent's wrong. The bonds are a kind of property that pass fully by possession, and in the hands of innocent third parties the bonds are good."¹⁹ Failing to repudiate the unlawful acts of its agent, the only other course open by which the State could preserve its honor and credit was to assume the debt so made, and pay it to the last dollar. That this was not done is manifest from the letters, resolutions, and memorials of the debt holders. They refused the conditions of the first law, and accepted those of the second only under compulsion. James Holford and Silas Wood, on surrendering a large amount of bonds, made affidavit that they did it solely on account of the proviso mentioned above, "that the State will make no further provisions for paying the internal improvement bonds." "The State," they testified, "has forced on its bona fide creditors the certainty of a lesser loss to avoid a greater."²⁰ The correspondence of the Governors for years afterward contains evidences of the bitterness of the bondholders on this subject. On the other hand, Charles Butler, the agent of the bondholders, repeatedly expressed himself as pleased with the compromise. This was

¹⁹ *Documentary Journal*, 1845, pt. II, p. 164.

²⁰ *Senate Journal*, 1847, p. 444. See in this connection a conversation between Rothschild and Morton in Paris. Foulke, in *Life of Morton*, vol. I, p. 461. *Documentary Journal*, 1856, pt. II, No. 23, is a memorial by W. L. Dayton and J. F. D. Lanier for bondholders.

said, however, after it was plain he had got all he could, and it was clearly to his interest to put on the best face possible before his clients. It would have been foolish to report to them that he had failed. Also, it was best for him, and the bondholders likewise, to accept the situation gracefully, since the value of the canal depended largely on the good will of the people of Indiana.²¹

§2. FINISHING THE WABASH AND ERIE.

The act of January 28, 1842, as indicated above, left the Wabash and Erie east of Lafayette in the hands of a commissioner selected by the Legislature.²² An act of January 1, 1842,²³ had already provided for building the canal on down to Terre Haute. The route selected was the one laid down by William J. Ball the previous season. The commissioner was directed to let contracts for as much of it every session as could be paid for with available funds. To expedite matters as much as possible, canal scrip was to be issued. This scrip was made receivable at the canal land offices in payment for the lands donated under act of Congress March 2, 1827, and confirmed by act of February, 1841. By a later act this scrip was made receivable for all tolls, water rents, and other dues to the canal.²⁴ James Blair was elected commissioner, and advertised to let contracts for forty-eight miles of the canal below Lafayette.²⁵ As the canal crept slowly southward more lands were made available, under the grant of 1827. Work proceeded slowly. Tolls failed to do more than pay for repairs.²⁶

²¹ Benton (*The Wabash Trade Route*, 63 seq.), overestimates the testimony of Butler. The latter was an attorney and must be interpreted as such.

²² *Laws of Indiana*, 1841, ch. 1, sec. 66.

²³ *Ibid.*, ch. 5.

²⁴ *Ibid.*, 1842, ch. 26.

²⁵ *Indianapolis Journal*, March 22, 1842.

²⁶ Commissioner's Report, *Documentary Journal*, 1843.

Superintendent E. F. Lucas reported receipts for land during the year 1844, as \$85,855; tolls and rents, \$58,212; expenses, \$94,466. It is reported that a single flood caused most of this extraordinary expense. In spite of all obstacles the canal was pushed steadily downward to Terre Haute. For 1845, the tolls were \$95,473; income from land sales, \$108,943; while the expense for repairs was \$106,344.²⁷ During this season the canal was short of water a great part of the time. This was to be supplied partly by the feeder at Northport.²⁸ Business was reviving rapidly and there was every indication of prosperity in the transportation business. But the rotten condition of the wooden aqueducts and inadequate supply of water from the feeders did not promise so well for the canal. In 1844, the canal had been placed under a single superintendent for its whole length.²⁹ During the same session David T. Yeakel and Elizur Deming were authorized to build a marine hospital at Lafayette for the free treatment of the sailors on the canal. The funds for the hospital were obtained by levying a tariff of 50 cents per month on all boatmen on the canal.³⁰ A considerable export trade was growing up. Docks, warehouses, and elevators were springing up overnight at Logansport, Attica, Peru, Lafayette, Huntington, Lagro, Pittsburg, Lockport, Wabash, Fort Wayne, and Montezuma, not to mention a score of lesser towns long since disappeared and forgotten. All kinds of craft swarmed on the canal. By act of January 13, 1845, it was made lawful to navigate the canal in pirogues, provided

²⁷ *Documentary Journal*, 1845, No. 17.

²⁸ An excellent description of the work at Northport was furnished the writer by Miss Anna Caseley, of the Kendallville High School. Her paper (*History of Sylvan Lake and Vicinity*) ought to be published. The Northport reservoir was at Rome City, Noble county.

²⁹ *Laws of Indiana*, 1843, ch. 4, sec. 15.

³⁰ *Ibid.*, ch. 15.

they did not run faster than three and one-half miles per hour.²¹

On the 2d of July, 1845, the surveyor, R. H. Fontle-roy, was ordered by Governor Whitcomb to finish surveying the canal down to Evansville. He accordingly hired William J. Ball and Samuel C. Bradford to aid him, and together they began the survey at the summit of the Eel River canal. To get water at this place was the most troublesome problem on the whole line from Lake Erie to the Ohio. A feeder was planned at Rawley's mill. Next, it was decided to dam Splunge creek. This would require an embankment one mile long and fifteen feet high. This dam was made twenty feet wide on top so that it could be used as a wagon road. The reservoir thus formed would cover 3900 acres and hold one billion cubic feet of water. A second reservoir was planned and surveyed high up Eel river, near Monrovia in Morgan county. The Monrovia reservoir was to cover 3500 acres. From Rawley's mill the survey was continued down the bank of Eel river. This was the third canal site that had been laid down along this river. At Point Commerce it connected with the Central survey down White river.²² Point Commerce was much advertised at this time. It had a beautiful location on the point between Eel and White rivers, near Worthington. The canal crossed White river at Newberry. Skirting the eastern edge of the White river valley, it crossed Daviess county, touching Maysville, a city that took on a boom much like Point Commerce. The canal crossed Patoka on an aqueduct one mile from its mouth. It left White river at Petersburg and went by way of Pigeon Summit and down Pigeon creek to Evansville.

This was the work undertaken by the bondholders under

²¹ *Laws of Indiana*, ch. 14.

²² *Documentary Journal*, 1845, No. 17, p. 2.

the Butler bill. The surveyor placed the total cost at \$2,502,813, of which \$966,544 had already been expended. The canal was in operation by this time, 1847, as far down as Coal creek near Cayuga, thirty-six miles above Terre Haute. The water was insufficient below Lafayette and feeders had to be constructed at St. Mary's and another eight miles west of Logansport at Crooked creek. The whole canal from Lake Erie to the Ohio was 458 miles long. Governor Whitcomb and Superintendent Stearns Fisher transferred the canal to the trustees July 31, 1847. The first board consisted of Charles Butler, president, N. B. Palmer, and Thomas H. Blake. Two offices were maintained, one in New York to raise money and one in Terre Haute to superintend transportation on the finished part of the canal and supervise construction on the unfinished part. Land offices were opened at Terre Haute and Washington. Jesse L. Williams was hired for chief engineer, and William J. Ball, of Terre Haute, for resident engineer. The board hoped to have the whole line to Evansville under construction by 1850.³³ During the year 1848 there were 189 miles of canal in use, extending from Coal creek to the Ohio State line. Ninety-six miles of construction were under contract. One thousand seven hundred eighty men were at work, scattered from Coal creek to Patoka Summit. Three hundred and forty-two thousand dollars were expended for construction, and \$35,000 for repairs. Tolls had arisen to \$146,148. A. M. Puett took the place of N. B. Palmer on the Canal Board this year.³⁴

The work was not successful during 1849, although the board began in the spring with more than ordinary vigor. A flood during the winter caused \$31,600 damage on the Eel river section. Contracts were let at Washington, Daviess

³³ *Documentary Journal*, 1847, pt. II, No. 6.

³⁴ *Documentary Journal*, 1848, pt. II, No. 5.

county, June 27, 1849, for the section from Newberry to Maysville—twenty-three miles—for \$160,000. The construction from Maysville to Petersburg—twenty miles—was placed under contract at Petersburg, November 14, for \$278,000. The canal was opened to commerce from the Ohio line to Lodi. But the prosperity of the early part of the season was not to last. Cholera broke out in several places along the canal, especially at Toledo and Lafayette. The plague affected the canal in every direction. It stopped the sales of land, it cut the tolls to \$135,000, \$11,000 below the previous year, although a long stretch of canal was opened for the first time. It demoralized the construction gangs, and, finally, it killed trustee Thomas H. Blake at Cincinnati as he was returning from Washington, D. C., on business for the canal.³⁵

For the season of 1850 the canal opened March 18, and closed December 8—261 days. During this time there was no interruption. The long delayed hopes of the promoters seemed at last about to be realized. Boats arrived at Lodi, October 25, 1849; they passed the Eel River division to Point Commerce and Washington, June 7, 1850. This latter point is seventy-nine miles from Coal creek, 268 miles from the State line, and 352 miles from Toledo. The last section, from Petersburg to Evansville, was placed under contract on the 6th of September, 1850, and was to be completed in 1852. This year the cholera broke out among the workmen and killed 150 men. A panic set in and the fleeing workmen carried the plague all over the country. The tolls this year ran up to \$157,158, a gain of \$22,500. Thomas Dowling, a well-known politician of Terre Haute, took the place on the board of trustees made vacant by the death of Blake.³⁶

³⁵ Governor Wright, Message of 1850, in *House Journal*. See also *Documentary Journal*, 1849, pt. II, No. 11.

³⁶ *Documentary Journal*, 1850, pt. II, No. 3.

The whole canal was closed for a full month during the season of 1851, on account of floods. Notwithstanding this, the tolls increased \$22,000. The work was received from the contractors down to the White river crossing at Newberry, 281 miles from the State line. One thousand two hundred men were at work during the season. The trustees ordered the part of the canal in Evansville to be made sixty feet wide. The annual report shows \$58,549 for repairs, and that \$65,000 had been expended for bridges, of which there were 150 over the canal.³⁷ Many of these that had been built earlier were rotten and many complaints on this account found their way into court. Seven of these suits were carried into the State Supreme Court. The canal trustees were slow in adjusting damages, and an act of February 13, 1851, directed that injured parties should file their complaints with the Canal Board, and if no relief was secured in ninety days they should file suit in the circuit court.³⁸ A law similar to the one mentioned above gave authority to road supervisors to institute suit to compel the Canal Board to rebuild rotten bridges.³⁹ The citizens of Williamsport tried by mandamus suit to force the board to build a lateral canal over to that town, and, failing in their suit, they dug one themselves and forcibly connected it with the main canal. This left the main canal almost dry for some time.⁴⁰

The water was let into the Maysville division in June, 1852. Laden boats then made the trip all the way from Toledo to Maysville, 392 miles. At a meeting held in May this year, it was agreed to lower all tolls and tariffs on the canal forty per cent. After this reduction the total receipts still rose to \$193,400, a gain of \$14,000. This was the high-

³⁷ *Ibid.*, 1851, pt. I, No. 7.

³⁸ *Laws of Indiana*, 1851.

³⁹ *Laws of Indiana*, 1852.

⁴⁰ *Documentary Journal*, 1854, No. 21.

water mark for toll on the Wabash and Erie. This is the more significant because it came before the whole canal was opened. The work was about done to Petersburg, and \$262,281 had been expended on the Evansville division, showing that it, too, was well-nigh completed. There was transported on the canal this year 2,300,000 bushels of corn, 1,606,000 bushels of wheat, and 88,000 barrels of salt. The expenses of operation this year were \$67,237.⁴¹ Deducting this from the gross tolls, there remains \$126,163 as the net returns of the canal at its best. This would pay five per cent. on two and one-half millions. While this does not look very favorable to us, yet in the steadily increasing tolls one can see some grounds for the hope that with a terminal on the Ohio river tolls would increase enough so that the whole canal would become dividend-paying.

While the outlook in this direction was encouraging to the canal builders, the outlook in other directions was extremely gloomy. Complaints, honest and dishonest, ending in lawsuits, multiplied all along the canal. Floods tied up navigation for days, weeks, or even months. Fleets of boats were grounded for weeks at a time in shallow water, or by breaks in the embankments, while their cargoes of farm products, sometimes live animals, depreciated or became utterly worthless. At best there was traffic during only eight months of the year. The Evansville and Terre Haute railroad was already under construction, and the Fort Wayne and Covington (Wabash Valley) and the Crawfordsville and Vincennes had been organized. These, it will be noticed, paralleled the canal throughout its length.⁴² The tolls for 1853 dropped to \$181,207, due to poor crops. A great deal of trouble was had with the banks along the deep cut south of Petersburg. A flood in White river destroyed all

⁴¹ *Documentary Journal*, 1852, pt. II, No. 7.

⁴² *Documentary Journal*, 1852, pt. II, No. 7.

the aqueducts from Maysville to Newberry and piled the drift high against the big aqueduct at that place. The citizens, thinking the extreme high water due to the big aqueduct, indicted the trustees for maintaining a nuisance; but the Legislature stopped the prosecution.⁴³ All the locks, gates, dams, towpaths, and bridges were reported rotten and giving way.

The Birch Creek reservoir was built during this year. It covered about six square miles, and the inhabitants of the district regarded it as a fruitful source of malaria. The State Legislature had it investigated in 1854 and it was reported quite healthful.⁴⁴ A mob of armed men blackened their faces and cut the dam at midday, May 10, 1855. This left the whole of the Eel River section dry. The loss on the dam was over \$10,000. Governor Wright sent the militia from Evansville under General Dodds and Captain Denby to protect the work. They found everything quiet and spent the season hunting, fishing, and playing cards with the settlers. The next day after the soldiers left, the dam was again leveled. Many men were arrested, but were promptly released by the local magistrates.⁴⁵ This trouble never was settled, and this division of the canal was rendered useless by the lawlessness of the people of that neighborhood. The reservoirs were swamps full of the natural growth of the forest, and in summer became stagnant frog ponds.

By the year 1856 it was manifest to all that the canal was doomed. The tolls dropped to \$113,000 and expenses for repairs rose to \$106,000. The whole section from Terre Haute to Evansville was rendered useless on account of the destruction of the Birch Creek reservoir. Again the board of trustees reduced the toll rates on the canal. This failed

⁴³ *Laws of Indiana*, 1853, March 4.

⁴⁴ *History of Clay County*, Index.

⁴⁵ *Documentary Journal*, 1855, pt. II, No. 2.

to hold the trade. All the lighter articles of commerce were shipped by rail.⁴⁶ Fortunately for the State, the scrip issued to finance the canal was about all redeemed. Over \$1,200,000 had been issued and all was now in except \$15,000. The State was thus free of all obligations to it.⁴⁷

The canal bondholders were not disposed to give up the struggle for their money without one more effort. After holding meetings in London, Washington, and New York, and discussing their case, they decided there was nothing that could be done further than petitioning the Legislature of the State. Accordingly they all joined in a final memorial pleading that the conditions of the law of 1847 had not been fulfilled by the State; that the bondholders had relieved the State of a distressing debt which was driving away settlers and trade; that the property of the State had meanwhile increased from \$28,000,000 in 1847 to over \$400,000,000 in 1856; that not only Governor Whitcomb, Jesse Williams, and William Ball, but all the people of the Wabash valley had over-estimated the value of the canal and thus misled the bondholders; that the canal itself for several years had given promise of becoming a great thoroughfare of trade, but by the neglect of the State in defending it, and allowing railroads chartered by the State to parallel every mile of it, its value had been destroyed; and finally, that the moral faith of the State had been pledged to aid it in all possible ways. This petition, signed by Palmer, McKillap, Dent & Company, Rothschilds & Sons, Baring Brothers, Huth & Company, Morrison Sons & Company, of London; George Peabody, of Washington; J. F. D. Lanier, Isaac Seymour, John Ferguson, Luther Clark, D. B. Ryall, J. N. Perkins, and William M. Bliss, of New York, was presented by W. L. Dayton and J. F. D. Lanier.⁴⁸ The

⁴⁶ *Documentary Journal*, 1856, pt. II, No. 6; Trustees' Report.

⁴⁷ *Ibid.*, pt. I, No. 3, State Auditor's Report.

⁴⁸ *Documentary Journal*, 1856, pt. II, No. 23.

Legislature made brief work of the petition. By a joint resolution it answered the memorialists that "the General Assembly has no power under the Constitution to purchase the Wabash and Erie Canal, and be it further resolved, that if the General Assembly had the power it would be impolitic, unwise, and injurious to the best interests of the people of the State, to purchase said canal."⁴⁹

The report of 1857 left no question of the future of the canal. Tolls were \$60,000 for the whole line. There was no regular navigation, no through traffic, as had been hoped. South of Terre Haute the tolls were \$8000 and repair expenses \$40,000. The repairs for the whole line amounted to \$115,000. The St. Joseph river broke around the feeder dam and it required \$7500 to repair the breach.⁵⁰ A series of local floods in the Wabash valley during the summer of 1858 did heavy damage. Wild Cat, Wea, Coal creek, Spring creek, and Otter creek overflowed and carried away their aqueducts. The Wabash broke over its banks in Terre Haute and destroyed forty-six rods of canal. The entire damage was \$55,000. Navigation was suspended from June 10 to August 26. The annual expenses of the canal, \$181,000, exceeded tolls and land sales combined by \$60,000. The stockholders ordered the trustees to close any part of the canal not paying expenses. The part from Terre Haute to Evansville was at once closed.⁵¹ After the Canal Board, in January, 1859, ordered all officers to quit, only a few local engineers, at reduced salaries, remained in service. In this year, a bondholder, named John Ferguson, secured an injunction from Justice McLean preventing the use of any money, except tolls, for making repairs. The canal was then divided into three sections which were let to

⁴⁹ *Laws of Indiana*, 1857, p. 130.

⁵⁰ *Documentary Journal*, 1857, pt. II, No. 4.

⁵¹ *Documentary Journal*, 1858, pt. I, No. 3.

persons who would keep the canal in repair for its use.⁵² The south section from Terre Haute to Evansville was not kept repaired at all. The Birch Creek reservoir was cut for the last time. The first breach in the long fill across Daviess county was left unfixed. Navigation was finally abandoned south of Terre Haute in 1860, although a few miles in Vanderburgh county remained open a year longer. Two men, Miller and Hedges, undertook to keep the line open from the Eel river dam to Terre Haute and with the aid of a gift of \$1000 from the city succeeded for a short time. The part from Terre Haute to Toledo remained open during the year. The Wabash railroad began a rate war at this time and soon attracted all trade from the canal. The railroad did this by a free use of rebates. By 1870 little more than a succession of stagnant pools marked the site of the former canal. A law of February 14, 1873, permitted the county commissioners to keep local sections of the canal in repair, but only a few temporary repairs were made. The trustees formally surrendered their trust in 1874. They had paid \$436,345 for repairs and had received \$274,019 in tolls.⁵³

On the 19th of November, 1874, Jonathan K. Gapin, of New York, on the part of the bondholders, filed a bill in chancery in the United States circuit court against the Board of Trustees, asking for an accounting to show just what was due each bondholder; and further asking that the canal lands be sold and the proceeds be applied on the debt. The bill alleged that \$16,000,000 was due the bondholders and that he, individually, held \$576,606 worth of stock.⁵⁴ A decree was obtained in 1874 under which the canal was sold February 12, 1876. There was realized from this sale \$96,260. All told, the bondholders received about forty

⁵² *Ibid.*, 1859, pt. I, No. 3.

⁵³ Twenty-Eighth Annual Report, 1874, *Documentary Journal*, No. 14.

⁵⁴ *Documentary Journal*, 1874, pt. II, No. 15.

per cent. of the \$800,000 which they had advanced for the completion of the canal.

The bondholders were not entirely silenced by the joint resolution of the State Legislature of 1857. Fearing that a future Legislature might be induced to pay the debt, or some part of it, the Legislature of 1871 submitted a constitutional amendment to the voters providing that "No law or resolution shall ever be passed by the General Assembly of the State of Indiana that shall recognize any liability of this State to pay or redeem any certificate of stock issued in pursuance" of the settlement of 1847. This was agreed to by the next Legislature and submitted to the voters.⁵⁵ By proclamation of the Governor this was voted on on February 18, 1873, after being advertised in the *State Journal* and the *State Sentinel*. The *Journal*, especially, urged every one to support the amendment and prevent a debt of nearly \$20,000,000 being saddled off on the State.⁵⁶ The voters took little interest in the election. Indianapolis cast 2679 votes for and 14 against the amendment. Evansville's vote favored it by 1365 to 12; Terre Haute 1502 for, and 1520 against; Fort Wayne 950 for, 12 against. The amendment was carried and the question settled.

There were still outstanding, however, 191 of the old bonds of 1836, which had not been surrendered in 1847. John W. Garrett, of Baltimore, brought suit on seventy-seven of these for foreclosure, as they were a lien on the Wabash and Erie canal. He obtained judgment, but inasmuch as the State had in the settlement of 1847 agreed to protect the canal for the bondholders, it paid the Garrett claim and has since redeemed or agreed to redeem all of these old bonds.

Thus closed the story of the old Wabash and Erie. The

⁵⁵ *Laws of Indiana, 1873, p. 83.*

⁵⁶ *Indianapolis Journal, February 15, 1873.*

State and bondholders had expended all told, \$8,259,244. They had received from land and tolls, \$5,477,238. A magnificent land grant by the federal government had been squandered. The total amount of land donated was 1,457,366 acres, or 2277 sections; an area equal to the five largest counties or the ten smallest.⁵⁷ This was twice as much as the whole donation for the common schools.⁵⁸

⁵⁷ Donaldson, *Public Domain*, p. 755.

⁵⁸ *American Almanac*, 1857, p. 323, gives a brief summary of State and canal debts.

V.

CONCLUSION.

The following remarks made by members of the Constitutional Convention leave no doubt as to what was the sober second thought of the people. The section under discussion was the one forbidding the State forming a debt.

Mr. Stevenson, of Putnam, said: "It may be true the Mammoth Bill was passed by log-rolling, but the people were brought to sustain it in a very different way. The principal error by which they were deceived was the supposition that the system could be built without taxation."

Mr. Thomas Smith, of Ripley, who was a member at the time, said: "I was here at the inception of this bill. That was a year before its passage. In the session of 1834-'35 this battle was fought here in the old courthouse. They undertook to tack their Internal Improvement System upon a bill to provide funds to carry on the work of the Wabash and Erie. They spread their net far and wide and laid it very artfully, extending their system of lines, drawn over all portions of the State, especially over such portions as would be likely to gather up and enlist in its support all the speaking and influential members of the House at that time."

Mr. Hovey, of Posey, in speaking on a proposition to require a referendum on all debt-creating laws, said: "The people would not have incurred the immense internal improvement debt had they had a right to vote on it. It is a well-known fact that that odious law was fixed upon the State by a most infamous system of bargain and intrigue, of log-rolling and corruption."

John Zenor, of Harrison, who was present when the bill was passed and fought it to the last, said: "That bill was got through both houses not upon its merits, not because a majority of the people wanted it, but by a system of log-

rolling that bore down all opposition. One member voted for it on condition that his constituents should have a portion of its benefit; another did the same, and so on, till enough votes were secured to pass the bill through both branches."

Judge David Kilgore, of Muncie, said: "The objection to the first bill was that it did not contain enough, and these very men who are loudest now in denouncing were foremost then in adding amendment after amendment till we had literally checkered the whole State with roads and canals. The bill became too large and the true friends of the measure laid it to sleep on the table. But while we were devising some system that could be perfected, the Senate passed a bill carrying money for the Wabash and Erie. All knew that if that bill passed we would lose valuable aid on the general bill. I never worked harder in my life than on that memorable night, getting votes to defeat that bill. I called on Representative Wallace to see what strength he could bring in return for the Madison railroad. From him, I passed on to others, my tally sheet in my hand; until I had organized a band that could control the House. All those who opposed would have supported had their favorite line been included. The bill was passed by a combination of interests we were forced to include."

Robert Dale Owen, of New Harmony, was sure that after all the speeches and newspaper articles on internal improvements the people would have voted for it on a direct vote. But I have quoted enough to show clearly how the bill was passed and how it was viewed by the generation that had to pay the debt it laid on the State.

Looking back over the period, one can now see pretty clearly why the whole scheme failed. In the first place only one line should have been built at a time. This was the first intention of the promoters. The State entered the labor

market and bid against itself for the labor of at least eight thousand men. These were to be used in eight different groups. The State could not spare more than one of these groups from its other occupations. Under the circumstances the price of labor could not fail to become exorbitant. At the same time that the State was competing with itself for laborers, it was offering the greatest possible inducement to divert its laborers into other fields. This was by offering cheap lands for sale on seventeen years credit.

From the standpoint of capital, the absurdity of the plan does not need to be pointed out when one remembers that it called for the annual outlay of the interest on \$15,000,000 when the State could scarcely pay its yearly assessment of taxes of \$50,000. This interest charge alone, whether paid as a tax, or as tolls on business, would require \$900,000 annually. It should be kept in mind that the State had at the same time embarked \$2,000,000 of its capital in the banking business.

From a political standpoint it is not to be expected that these pioneers would have clearly comprehended their own incapacity. There were at this time no trained officials in the State. Such large operations can be carried on successfully only in a State with a trained civil service and generations of political experience. Political science does not flourish among a pioneering people. At least twenty per cent. of the money handled by the fund commissioners was lost. The State paid high for its schooling, but the sister States were learning at the same cost. Its worst effect was that it discredited popular government for many years and perhaps permanently impaired the power and prestige of the State Legislature. Of nineteen men in responsible financial positions, whose official acts were investigated, nine were charged with crime.

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